

**THE TEMISKAMING FOUNDATION**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors:

We have audited the accompanying financial statements of THE TEMISKAMING FOUNDATION, which comprise the statement of financial position as at December 31, 2012, and the statement of financial activities, continuity of fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for Qualified Opinion

The foundation derives revenues from donations, fundraising and other miscellaneous sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the foundation and we were unable to determine whether any adjustments might be necessary for these types of revenues during the year.

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of THE TEMISKAMING FOUNDATION as at December 31, 2012, and its financial activities, continuity of fund balances and cash flows for the year then ended in accordance with Canadian accounting standard for not-for-profit organizations.

Kemp Elliott & Blair LLP

Licensed Public Accountants  
New Liskeard, Ontario  
April 9, 2013

*Kemp Elliott & Blair LLP*

Chartered Accountants

# THE TEMISKAMING FOUNDATION

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

### ASSETS

	December 31 2012	December 31 2011	January 1 2011
Cash	\$ 258,218	\$ 99,355	\$ 44,331
Investments - note 4	<u>3,533,677</u>	<u>2,979,822</u>	<u>2,542,298</u>
	<u>\$ 3,791,895</u>	<u>\$ 3,079,177</u>	<u>\$ 2,586,629</u>

### LIABILITIES

Accounts payable	\$ 1,614	\$ 1,360	\$ -
Deferred revenue - note 5	<u>261,674</u>	<u>51,002</u>	<u>15,300</u>
Total liabilities	<u>263,288</u>	<u>52,362</u>	<u>15,300</u>

### FUND BALANCES

Restricted and unrestricted funds - note 9	3,509,063	3,044,596	2,560,503
Operations	<u>19,544</u>	<u>(17,781)</u>	<u>10,826</u>
	<u>3,528,607</u>	<u>3,026,815</u>	<u>2,571,329</u>
	<u>\$ 3,791,895</u>	<u>\$ 3,079,177</u>	<u>\$ 2,586,629</u>

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# THE TEMISKAMING FOUNDATION

## STATEMENT OF FINANCIAL ACTIVITIES AND CONTINUITY OF FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2012

### Restricted and Unrestricted Funds

	<u>2012</u>	<u>2011</u>
<b>Revenue and donations</b>		
Donations	\$ 352,424	\$ 625,474
Investment income (loss) – note 4	300,796	(43,452)
	<u>653,220</u>	<u>582,022</u>
<b>Expenses and grants provided</b>		
Administrative fee – note 6	68,815	-
Grants provided	101,589	97,929
Transfer to deferred revenue – note 8	18,349	-
	<u>188,753</u>	<u>97,929</u>
Net increase in fund balance	464,467	484,093
Fund balance, beginning of year	<u>3,044,596</u>	<u>2,560,503</u>
Fund balance, end of year	<u>\$ 3,509,063</u>	<u>\$ 3,044,596</u>

### Operations

#### Revenue

	<u>2012</u>	<u>2011</u>
Administration fee – note 6	\$ 68,815	\$ -
Administration fee – deferred funds – note 6	765	-
Donations - administration – note 7	6,241	11,733
Donations - flow through – note 5	-	13,500
Fundraising - net	4,338	4,700
	<u>80,159</u>	<u>29,933</u>

#### Expenses

Wages and benefits	20,377	18,280
Consulting fees	2,439	1,778
Annual report	3,820	3,029
Insurance	2,348	2,236
Rent	2,400	2,400
Telephone	1,670	1,314
Office	6,264	5,267
Computer expenses	767	3,459
Bank charges	314	293
Other	1,906	939
Grants - flow through – note 5	-	13,500
Conference and education	529	6,045
	<u>42,834</u>	<u>58,540</u>

<b>Net revenue (deficit)</b>	37,325	(28,607)
Fund (deficit) balance, beginning of year	<u>(17,781)</u>	<u>10,826</u>
<b>Fund (deficit) balance, end of year</b>	<u>\$ 19,544</u>	<u>\$ (17,781)</u>

The accompanying notes form an integral part of these financial statements.

# THE TEMISKAMING FOUNDATION

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
<b>OPERATIONS</b>		
Net revenue (deficit)		
Restricted and unrestricted funds	\$ 464,467	\$ 484,093
Operating fund	37,325	(28,607)
	<u>501,792</u>	<u>455,486</u>
Net change in non-cash working capital		
Accounts payable	254	1,360
Deferred revenue	210,672	35,702
	<u>210,926</u>	<u>37,062</u>
Total cash provided by operations	<u>712,718</u>	<u>492,548</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of investments	<u>(553,855)</u>	<u>(437,524)</u>
<b>INCREASE IN CASH</b>	158,863	55,024
Cash, beginning of year	<u>99,355</u>	<u>44,331</u>
<b>CASH, END OF YEAR</b>	<u>\$ 258,218</u>	<u>\$ 99,355</u>
<b>REPRESENTED BY</b>		
Cash	<u>\$ 258,218</u>	<u>\$ 99,355</u>

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2012

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1. **The nature of the Foundation**

The Temiskaming Foundation was incorporated without share capital under Part II of the Canada Corporations Act with the object of raising funds by way of charitable donations for the furtherance of the welfare of the Community. The Foundation is a registered charity (Business Number 88853 5465 RR 0001) and is classified as a public foundation under Section 149.1(1) of the Income Tax Act (Canada).

The Temiskaming Foundation primarily receives donations which are to be held in perpetuity. These donations are invested and the investment income generated is used to provide grants for the betterment of the community.

2. **Significant accounting policies**

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook and include the following significant accounting policies:

**Basis of accounting**

These financial statements have been prepared on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

**Revenue recognition**

Donations and bequests are recorded only as received. Investment income is recorded as it is earned and includes dividends, interest, realized gains (losses), the net change in unrealized gains (losses) for the year less investment Counsel fees.

**Administrative and other expenses**

Administrative and other expenses are recorded as incurred on the accrual basis.

**Capital assets**

Furniture and equipment costs (and any other expenses of a capital nature) are expensed as incurred on the accrual basis.

**Investments**

Investments are recorded on the statement of financial position at market value.

**Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

**Financial Instruments**

The Foundation initially measures its financial assets and financial liabilities at fair value. The Foundation subsequently measures all its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of financial activities.

Financial assets measured at amortized cost include cash. Financial liabilities measured at amortized cost include accounts payable.

The Foundation's financial assets measured at fair value include long term investments.

# THE TEMISKAMING FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2012

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3. **Impact of the change in the basis of accounting**

These financial statements are the first financial statements for which the Foundation applied the new Canadian accounting standards for not-for-profit organizations. First-time adoption of this new basis of accounting had no impact on the Foundation's financial activities for the year ended December 31, 2011 or on fund balances as at January 1, 2011, the date of transition. For the purpose of the Statements of The Temiskaming Foundation the new accounting standards are virtually identical to the previous standards being used.

4. **Investments**

The investments are currently managed by Connor, Clark & Lunn Private Capital Ltd. The general investment strategy of The Temiskaming Foundation is to maximize returns within an appropriate level of risk while preserving capital.

	<u>2012</u>	<u>2011</u>
Investments (reflected at market value) are as follows:		
Fixed income	\$ 1,215,705	\$ 1,024,438
Income fund	194,488	220,422
Canadian equity fund	780,029	628,931
United States equity fund	500,160	441,170
International equity fund	363,861	315,946
Cash and cash equivalents	(10,053)	4,262
Other	<u>489,487</u>	<u>344,653</u>

	<u>\$ 3,533,677</u>	<u>\$ 2,979,822</u>
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**Investment income (loss)**

	<u>2012</u>	<u>2011</u>
Total investment income (loss) (includes interest, dividends, other distributions and capital gains and losses both realized and unrealized)	\$ 337,837	\$ (10,621)
Less: Investment Counsel fees	<u>(37,041)</u>	<u>(32,831)</u>
Investment income (loss)	<u>\$ 300,796</u>	<u>\$ (43,452)</u>

5. **Deferred revenue / donations - flow through / grants - flow through**

Deferred revenue represents funds received to be spent or granted for a specific purpose in the near future and the required expenditure or grant has not yet taken place. These funds were not intended to be held in perpetuity but for a short period of time. These funds will be recognized as revenue (under Operations - Revenue - Donations - flow through) offsetting the expense when the specific expenditure is made (under Operations - Expenses - Grants - flow through). Of the \$261,674 balance at December 31, 2012 \$223,834 is for the Carter Antila Memorial Skate Park Fund.

# THE TEMISKAMING FOUNDATION

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2012

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6. **Administrative fee**

Restricted, Donor Advised and Unrestricted Funds pay an administrative fee (an expense) towards the operations of The Temiskaming Foundation (where it is a revenue). This is an internal charge to provide funds for the operation of The Temiskaming Foundation. If deferred revenue amounts get large enough they also earn investment income and pay an administrative fee to the Foundation Operations.

7. **Administration donations**

Administration donations are those received specifically to help the Foundation with its operating costs (it can include donations from some of the actual funds of the Foundation).

8. **Transfer to deferred revenue**

In 2012 it was determined that certain funds treated as donations at the time should have been reflected as deferred revenue to be flowed out in the near future. This was corrected in 2012.

9. **Restricted and unrestricted funds**

**Unrestricted community fund**

The unrestricted community fund is a pooling of all funds where the grants related to these funds are determined by the Board of Directors each year according to the most pressing needs of the community. Total unrestricted funds (includes principal, reserve and grant making) at December 31<sup>st</sup> are represented as follows:

	<u>2012</u>	<u>2011</u>
	\$ 307,633	\$ 285,785

Specific funds in the unrestricted community fund include:

- Canon Sims memorial
- Community Fund
- Founding Donors
- Ralph and Isabel Ramsay
- Dick Taylor memorial
- Michael Taylor memorial
- Three H Furniture
- Jennie Low Fund
- Austin and Sybil Cooper memorial
- Foundation development fund
- Northern Tel Mobility Fund
- Boyd Fund
- Bryan and Louisa Wilson Fund



**THE TEMISKAMING FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

9. **Restricted and unrestricted funds - continued**

**Restricted funds**

Restricted funds consist of donor designated, donor advised, field of interest and agency endowed funds. Grants related to these funds are for designated specific purposes as determined by the fund donors. Total of restricted funds (includes principal, reserve and grant making) are represented as follows:

	2012	2011
Robert and Margaret Pollock memorial	\$ 90,630	\$ 84,198
Northdale Manor	11,116	10,509
Haileybury Heritage Museum endowment	85,894	85,945
Rotary Club of Haileybury endowment	55,234	52,458
George Morissette	11,736	10,597
Elsie Jean Taylor memorial	10,790	10,585
Temiskaming Art Gallery	48,066	46,222
M. Gertrude Grant memorial	37,977	36,559
Temiskaming Festival of Music	7,011	6,745
Temiskaming Music Festival - Linda Story bursary	6,525	6,281
Peter Grant	515,081	498,378
Englehart and Area Museum – Ruby G. Bryan Memorial	10,094	9,406
Walter Light Scholarship	26,389	25,594
Cobalt's Mining Museum	5,850	5,633
C.C. Farr TDSS Scholarship	12,562	11,541
Youth Fund – For Kids' Sake	231,162	221,000
George L. Cassidy Bursary	14,743	14,231
Haileybury Public Library	7,354	7,072
Smylie Family Scholarship	11,963	11,590
New Liskeard Public Library – May Ball Trust	204,914	214,469
New Liskeard Public Library	880	846
Holmes Fund	10,101	9,683
Pied Piper Kids Show	17,015	16,361
Bud Price – Ernie Tresidder	16,289	15,663
Bruce Lonsdale Memorial Scholarship fund	20,993	20,089
Lena and Andrew Kuchar Memorial fund	18,959	18,182
Englehart and Area Community fund	92,961	89,239
Barney Morris Fund	23,490	22,592
Food Forever Fund	284,841	270,789
Pat Birnie Fund	15,487	13,786
Walter and Maria Pape Fund	14,583	12,820
Daniel and Christel McKinnon Fund	9,350	8,991
Kiwanis Club of Cobalt – Johnston Estate	6,399	6,154
Kiwanis Club of Cobalt – Scholarship	18,097	17,582
Kiwanis Club of Cobalt – General Fund	270,188	259,674
Zetta Greer Fund	16,617	15,428
Silver Lodge AF & AM No 480	13,111	11,754
Marshall Franklin Moore Child	11,205	10,397
Englehart & District Hospital	11,446	10,671
Cleo Lulubelle, Vern Montgomery Fund	22,308	20,674
Danny Wilson Scholarship Fund	28,364	24,849
Community Cancer Support Fund	539,198	420,735
Willie & Marie Gelinis	20,791	10,000
Bob Pollock Scholarship	32,917	30,969
Doug Worth Youth Program Fund	10,370	-
R & R Carson – Englehart Hospital Fund	101,068	-
R & R Carson – Temiskaming Hospital Fund	98,973	-
	<u>\$ 3,131,092</u>	<u>\$ 2,706,941</u>

# THE TEMISKAMING FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2012

9.	<b>Restricted and unrestricted funds – continued</b>	<u>2012</u>	<u>2011</u>
	<b>Donor advised</b>		
	Herbert C. Sweetnam memorial	\$ 8,023	\$ 7,416
	Dorothy Houston community	13,411	12,617
	Gordon Zubyck Memorial Fund	28,238	21,628
	George Taylor Fund	<u>20,666</u>	<u>10,209</u>
		<u>\$ 70,338</u>	<u>\$ 51,870</u>
	<b>Summary of funds</b>	<u>2012</u>	<u>2011</u>
	Unrestricted funds	\$ 307,633	\$ 285,785
	Restricted funds	3,131,092	2,706,941
	Donor advised	<u>70,338</u>	<u>51,870</u>
		<u>\$ 3,509,063</u>	<u>\$ 3,044,596</u>

Each fund balance is divided into Principal, Reserve and Grant Making. The Principal is primarily the total of all donations to date. The reserve is an allocation from income of prior years to provide funds for grant making in years when investment income is low or negative. Grant Making is the allocation of the previous year's income specifically for Grant Making in the next year.

10. **Government remittances**  
Included in accounts payable and accrued liabilities are government remittances of \$302.
11. **Financial instruments**  
The Foundation has cash balances maintained with financial institutions of reputable credit. The Foundation is therefore not exposed to significant interest, currency or credit risks arising from its financial instruments. The Foundation's carrying value of cash and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.
12. **What do we do and how do we do it?**  
Generally The Temiskaming Foundation uses the investment income earned in one year to:
1. **Pay for the operating of the Foundation**  
A fee of approximately 1.5% of the principal of each fund is charged as an expenditure to the fund and allocated as revenue to the operations of the Foundation. The fee was \$28,056 in 2010. In 2011 the investment income was negative (a loss) and no fee was charged. In 2012 the normal fee of \$37,727 was charged as well as an additional fee of \$31,088 to make up for the lack of fees in 2011.
  2. **Grant Making**  
Approximately 3.5% of the principal of each fund is allocated for the next year's grant making.

# THE TEMISKAMING FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2012

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12. **What do we do and how do we do it? - continued**

3. **Additional Earnings**

Any additional earnings are allocated on a year by year basis as determined by the Board of Directors. Allocations can be to increase the fund balances or future grant making or to increase the reserves of the funds. In 2012 The Temiskaming Foundation had investment income of \$300,796, and the allocation was made as follows:

	2012	2011
Operations of the Foundation (Administration Fee)	\$ 37,727	\$ -
Next year's Grant Making	107,627	-
Additional Earnings: To fund reserves	46,633	-
To additional grant making	46,633	-
Additional allocation to fund principal	31,088	-
Additional administration fee	31,088	-
	<u>\$ 300,796</u>	<u>\$ -</u>

In 2008 investment losses caused a reduction in fund principal balances of \$405,385. In 2009 \$105,382 of these losses were paid back to the funds with additional earnings. The board currently intends to repay the balance of \$300,000 with additional earnings in future years where investment returns are extraordinarily high.

13. **Donated goods and services**

Donations of a non monetary nature (goods and/or services) and the many hours of volunteer time donated are greatly appreciated by The Temiskaming Foundation but not reflected in these statements.