

THE TEMISKAMING FOUNDATION

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2013

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, 2013, 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.

Donations, investment income, administrative fees and grants provided as reflected in the Statement of Financial Activities and Continuity of Fund are further allocated in determining the balance of individual funds as reflected in note 9. The allocation of all these amounts to the individual funds is beyond the scope of the audit and we are unable to determine if any adjustments in individual fund balances might be necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of THE TEMISKAMING FOUNDATION as at December 31, 2013, 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

Kemp Elliott & Blair LLP

Chartered Accountants

Licensed Public Accountants
New Liskeard, Ontario
March 3, 2014

THE TEMISKAMING FOUNDATION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

ASSETS

	<u>2013</u>	<u>2012</u>
Cash	\$ 30,173	\$ 258,218
Investments - note 3	<u>4,569,406</u>	<u>3,533,677</u>
	<u>\$ 4,599,579</u>	<u>\$ 3,791,895</u>

LIABILITIES

Accounts payable	\$ 1,649	\$ 1,614
Deferred revenue - note 5	<u>373,973</u>	<u>261,674</u>
Total liabilities	<u>375,622</u>	<u>263,288</u>

FUND BALANCES

Restricted and unrestricted funds - note 8	4,167,314	3,509,063
Operations	<u>56,643</u>	<u>19,544</u>
	<u>4,223,957</u>	<u>3,528,607</u>
	<u>\$ 4,599,579</u>	<u>\$ 3,791,895</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, 2013

Restricted and Unrestricted Funds

	2013	2012
Revenue and donations		
Donations	\$ 218,848	\$ 352,424
Investment income – note 4	658,626	300,796
	<u>877,474</u>	<u>653,220</u>
Expenses and grants provided		
Administrative fee – note 6	73,122	68,815
Grants provided	146,101	101,589
Transfer to deferred revenue	-	18,349
	<u>219,223</u>	<u>188,753</u>
Net increase in fund balance	658,251	464,467
Fund balance, beginning of year	<u>3,509,063</u>	<u>3,044,596</u>
Fund balance, end of year	<u>\$ 4,167,314</u>	<u>\$ 3,509,063</u>

Operations

	2013	2012
Revenue		
Administration fee – note 6	\$ 73,122	\$ 69,580
Donations - administration – note 7	6,106	6,241
Donations - flow through – note 5	42,657	-
Fundraising - net	3,491	4,338
	<u>125,376</u>	<u>80,159</u>
Expenses		
Wages and benefits	21,625	20,377
Consulting fees	1,619	2,439
Annual report	2,911	3,820
Insurance	2,398	2,348
Rent	2,400	2,400
Telephone	1,332	1,670
Office	4,858	6,264
Computer expenses	417	767
Bank charges	329	314
Other	2,546	1,906
Grants - flow through – note 5	42,657	-
Conference and education	5,185	529
	<u>88,277</u>	<u>42,834</u>
Net revenue	37,099	37,325
Fund (deficit) balance, beginning of year	<u>19,544</u>	<u>(17,781)</u>
Fund balance, end of year	<u>\$ 56,643</u>	<u>\$ 19,544</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, 2013

	2013	2012
OPERATIONS		
Net revenue		
Restricted and unrestricted funds	\$ 658,251	\$ 464,467
Operating fund	37,099	37,325
	<u>695,350</u>	<u>501,792</u>
Net change in non-cash working capital		
Accounts payable	35	254
Deferred revenue	112,299	210,672
	<u>112,334</u>	<u>210,926</u>
Total cash provided by operations	<u>807,684</u>	<u>712,718</u>
INVESTING ACTIVITIES		
Acquisition of investments	<u>(1,035,729)</u>	<u>(553,855)</u>
INCREASE (DECREASE) IN CASH	(228,045)	158,863
Cash, beginning of year	<u>258,218</u>	<u>99,355</u>
CASH, END OF YEAR	<u>\$ 30,173</u>	<u>\$ 258,218</u>
REPRESENTED BY		
Cash	<u>\$ 30,173</u>	<u>\$ 258,218</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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, other income, realized gains (losses) and 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, 2013

3. 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.

Investments (reflected at market value) are held in the following broad categories:

	<u>2013</u>	<u>2012</u>
Fixed income	\$ 1,083,979	\$ 1,215,705
Income fund	244,812	194,488
Canadian equity fund	1,031,656	780,029
United States equity fund	711,924	500,160
International equity fund	517,895	363,861
Cash and cash equivalents	338,476	(10,053)
Other	640,664	489,487
	<u>\$ 4,569,406</u>	<u>\$ 3,533,677</u>

4. Investment income

Total investment income (loss) includes interest, dividends, other income and capital gains and losses both realized and unrealized of:

	<u>2013</u>	<u>2012</u>
	\$ 701,229	\$ 337,837
Less: Investment Counsel fees	<u>(42,603)</u>	<u>(37,041)</u>
Investment income	<u>\$ 658,626</u>	<u>\$ 300,796</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 \$373,973 balance at December 31, 2013 \$338,628 is for the Carter Antila Memorial Skate Park Fund.

THE TEMISKAMING FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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.

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. **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 31st are represented as follows:

2013	2012
<u>\$ 367,281</u>	<u>\$ 307,633</u>

Specific funds in the unrestricted community fund include:

- Canon Sims memorial
- Community Fund
- Ralph and Isabel Ramsay
- Dick Taylor memorial
- Michael Taylor memorial
- Three H Furniture
- Jennie Low Fund
- Austin and Sybil Cooper memorial
- 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, 2013

8. **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:

	2013	2012
Robert and Margaret Pollock memorial	\$ 103,244	\$ 90,630
Northdale Manor	12,722	11,116
Haileybury Heritage Museum endowment	105,581	85,894
Rotary Club of Haileybury endowment	63,290	55,234
George Morissette	14,347	11,736
Elsie Jean Taylor memorial (now donor advised)	-	10,790
Temiskaming Art Gallery	54,677	48,066
M. Gertrude Grant memorial	43,333	37,977
Temiskaming Festival of Music	7,899	7,011
Temiskaming Music Festival - Linda Story bursary	7,444	6,525
Peter Grant	585,344	515,081
Englehart and Area Museum – Ruby G. Bryan Memorial	11,907	10,094
Walter Light Scholarship	30,286	26,389
Cobalt's Mining Museum	6,662	5,850
C.C. Farr TDSS Scholarship	14,962	12,562
Youth Fund – For Kids' Sake	263,575	231,162
George L. Cassidy Bursary	16,771	14,743
Haileybury Public Library	8,671	7,354
Smylie Family Scholarship	13,695	11,963
New Liskeard Public Library – May Ball Trust	234,035	204,914
New Liskeard Public Library	1,007	880
Holmes Fund	12,008	10,101
Pied Piper Kids Show	19,482	17,015
Bud Price – Ernie Tresidder	18,652	16,289
Bruce Lonsdale Memorial Scholarship fund	23,823	20,993
Lena and Andrew Kuchar Memorial fund	21,943	18,959
Englehart and Area Community fund	104,567	92,961
Barney Morris Fund	26,956	23,490
Food Forever Fund	319,254	284,841
Pat Birnie Fund	18,749	15,487
Walter and Maria Pape Fund	17,896	14,583
Daniel and Christel McKinnon Fund	10,706	9,350
Kiwanis Club of Cobalt – Johnston Estate	7,085	6,399
Kiwanis Club of Cobalt – Scholarship	20,124	18,097
Kiwanis Club of Cobalt – General Fund	288,323	270,188
Zetta Greer Fund	25,701	16,617
Silver Lodge AF & AM No 480	14,932	13,111
Marshall Franklin Moore Child	12,119	11,205
Englehart & District Hospital	13,026	11,446
Cleo Lulubelle, Vern Montgomery Fund	25,639	22,308
Danny Wilson Scholarship Fund	32,914	28,364
Community Cancer Support Fund	704,837	539,198
Willie & Marie Gelinis	33,348	20,791
Bob Pollock Scholarship	37,152	32,917
Doug Worth Youth Program Fund	12,000	10,370
R & R Carson – Englehart Hospital Fund	116,471	101,068
R & R Carson – Temiskaming Hospital Fund	114,057	98,973
Englehart HS Anon Fund	22,600	-
Other gifts – Zia Pollock	15,000	-
	<u>\$ 3,688,815</u>	<u>\$ 3,131,092</u>

THE TEMISKAMING FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

8.	Restricted and unrestricted funds – continued	<u>2013</u>	<u>2012</u>
	Donor advised		
	Herbert C. Sweetnam memorial	\$ 9,420	\$ 8,023
	Dorothy Houston community	15,487	13,411
	Gordon Zubyck Memorial Fund	32,344	28,238
	George Taylor Fund	23,257	20,666
	Elsie Jean Taylor Memorial Fund	12,709	-
	Jack and Mary Church Fund	7,000	-
	Orville McDermid Memorial Fund	11,000	-
		<u>\$ 111,218</u>	<u>\$ 70,338</u>
	Summary of funds	<u>2013</u>	<u>2012</u>
	Unrestricted funds	\$ 367,281	\$ 307,633
	Restricted funds	3,688,815	3,131,092
	Donor advised	111,218	70,338
		<u>\$ 4,167,314</u>	<u>\$ 3,509,063</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.

9. **Government remittances**
Included in accounts payable and accrued liabilities are government payroll remittances of \$359 (2012 - \$302).
10. **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.
11. **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**
An administrative 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 to pay for the costs of running / administering the Foundation. In 2012 the normal fee of \$37,727 was charged as well as an additional fee of \$31,088 to make up for no fees charged in 2011 due to negative investment income in 2011. In 2013 the normal fee was charged \$43,122 and an additional \$30,000 as determined by the board.
 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, 2013

11. 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 or additional administrative fees. In 2013 The Temiskaming Foundation had total investment income of \$658,626, and the allocation was made as follows:

	2013	2012
Operations of the Foundation (Administration Fee)	\$ 43,122	\$ 37,727
Next year's Grant Making (3.5% of fund principal)	111,495	107,627
Additional Earnings: To fund reserves	100,000	46,633
To additional grant making	244,009	46,633
Additional allocation to fund principal	130,000	31,088
Additional administration fee	30,000	31,088
	<u>\$ 658,626</u>	<u>\$ 300,796</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. In 2013 an additional \$100,000 of this principal was repaid. The board currently intends to repay the balance of \$200,000 with additional earnings in future years where investment returns are extraordinarily high.

12. 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.