

FOREST COMMUNITY FOUNDATION

Financial Statements

Year Ended December 31, 2017

MPW

CHARTERED PROFESSIONAL ACCOUNTANTS LLP

FOREST COMMUNITY FOUNDATION
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Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of Forest Community Foundation

We have audited the accompanying financial statements of Forest Community Foundation, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016 and the statements of revenues and expenditures, changes in net assets and cash flow for the years ended December 31, 2017 and December 31, 2016, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Forest Community Foundation derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Forest Community Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2017 and December 31, 2016, current assets and net assets as at December 31, 2017 and December 31, 2016.

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Independent Auditor's Report to the Members of Forest Community Foundation *(continued)*

Qualified Opinion

In our qualified 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 Forest Community Foundation as at December 31, 2017 and December 31, 2016 and the results of its operations and its cash flow for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Strathroy, Ontario
May 22, 2018

MPW

Chartered Professional Accountants LLP
Licensed Public Accountants

FOREST COMMUNITY FOUNDATION
Statement of Financial Position
December 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 125,922	\$ 126,065
Accounts receivable	358	316
HST recoverable	1,530	1,500
	127,810	127,881
LONG TERM INVESTMENTS, at market value	1,479,766	1,424,411
RESTRICTED CASH AND INVESTMENTS <i>(Note 3)</i>	7,768	104,213
	\$ 1,615,344	\$ 1,656,505
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 3,500	\$ 3,500
Deferred revenue <i>(Note 6)</i>	7,768	104,213
	11,268	107,713
NET ASSETS	1,604,076	1,548,792
	\$ 1,615,344	\$ 1,656,505

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See notes to financial statements

FOREST COMMUNITY FOUNDATION
Statement of Changes in Net Assets
Year Ended December 31, 2017

	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ 1,548,792	\$ 1,546,475
EXCESS OF REVENUES OVER EXPENSES	55,284	2,317
NET ASSETS - END OF YEAR	\$ 1,604,076	\$ 1,548,792

FOREST COMMUNITY FOUNDATION
Statement of Revenues and Expenditures
Year Ended December 31, 2017

	2017	2016
REVENUES		
Capital gains (losses), net	\$ (3,690)	\$ 67,560
Capital gains distributions	19,496	15,213
Dividend income	20,718	20,452
Donations	-	23
Donations - Flow Through	134,828	12,000
Interest and other income	20,482	26,056
Membership fees	100	100
Refunded donations	641	4,781
	192,575	146,185
EXPENSES		
Administration expenses	2,200	2,200
Advertising and promotion	439	473
Bank and service charges	473	65
Donations - Flow Through	134,828	12,000
Donations - Foundation (<i>Note 7</i>)	55,467	51,462
Insurance	1,970	1,949
Investment management fees	9,302	9,026
Memberships	478	468
Professional fees	3,741	3,638
	208,898	81,281
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	(16,323)	64,904
OTHER INCOME	71,607	(62,587)
EXCESS OF REVENUES OVER EXPENSES	\$ 55,284	\$ 2,317

FOREST COMMUNITY FOUNDATION
Statement of Cash Flow
Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 55,284	\$ 2,317
Items not affecting cash:		
Loss (gain) on disposal of investments	3,690	(67,560)
Unrealized loss (gain) on investments	(71,607)	62,587
	(12,633)	(2,656)
Changes in non-cash working capital:		
Accounts receivable	(42)	6,184
Accounts payable and accrued liabilities	(1)	1
Deferred revenue	(96,445)	60,573
HST payable	(30)	(1,145)
	(96,518)	65,613
Cash flow from (used by) operating activities	(109,151)	62,957
INVESTING ACTIVITIES		
Purchase of investments	(169,576)	(1,296,326)
Proceeds on sale of investments	249,857	1,243,113
Cash flow from (used by) investing activities	80,281	(53,213)
INCREASE (DECREASE) IN CASH FLOW	(28,870)	9,744
Cash - beginning of year	162,560	152,816
CASH - END OF YEAR	\$ 133,690	\$ 162,560
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest received	\$ (20,482)	\$ (26,056)
Interest paid	\$ 474	\$ 64
CASH CONSISTS OF:		
Cash	\$ 125,922	\$ 126,065
Restricted cash	7,768	36,495
	\$ 133,690	\$ 162,560

FOREST COMMUNITY FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2017

1. Nature of operations

The Forest Community Foundation ("the Foundation") was incorporated as a not-for-profit corporation without share capital under the Ontario Corporations Act on May 16, 2000 and is a registered charity under the Income Tax Act (ITA) as a Public Foundation. The Foundation acts as a community resource to make grants to applicants who are Qualified Donees pursuant to s.139.1(1) of the ITA. The purpose of the Foundation is to benefit the residents of the former municipality of Forest and its immediate environs by carrying out charitable activities primarily in the geographical area from which the funds were raised.

2. Summary of significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments that may include highly liquid investments with maturities of one year or less at date of purchase are classified as cash equivalents.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Unrestricted contributions, investment and other income is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection can be reasonably assured. Contributions externally restricted are deferred and recognized as revenue in the year in which the related expenses are recognized.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

The Foundation's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted below, it is management's opinion that the Foundation is not exposed to significant interest, currency, credit, market, liquidity or other risks arising from these financial instruments and the carrying amount of the financial instruments approximate their fair value.

Cash, accounts receivable, accounts payable and accrued liabilities are reported at their fair values on the Statement of Financial Position which are the same as the carrying values due to their short-term nature.

Fair value of investments is provided by the Foundation's professional investment counsellor and is based on published price quotations in active markets. Transaction costs related to investments are expensed as incurred. The Foundation accounts for its investments on a settlement date basis.

Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

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FOREST COMMUNITY FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2017

2. Summary of significant accounting policies *(continued)*

Held for Trading

The Foundation has classified financial assets that are purchased and incurred with the intention of generating profits in the near term or are to be held until maturity as held for trading. These instruments are accounted for at fair value with the change in the fair value recognized in net revenue (expenses) during the period. Cash and investments are classified as held for trading.

Loans and receivables

These financial instruments are accounted for at amortized cost using the effective interest method, net of any impairment. Due to the short term nature of these balances, the effective interest method results in no significant differences from book value. Accrued interest receivable is classified as loans and receivables.

Other Liabilities

Other liabilities are accounted for at amortized cost.

Other

There are no financial assets on the statement of financial position designated as either available for sale or held to maturity.

Risks arising from Financial Instruments

Interest Rate Risk

The Foundation is subject to interest rate risk with respect to investments. The Foundation utilizes a professional investment counsellor to manage its portfolio based on its cash flow needs and with a view to optimising its investment income.

Market risk

The Foundation is subject to market risk with respect to its investments. The value of these investments will fluctuate as a result of changes in market prices or other factors. A variety of investment types, market locations and industry sectors has been chosen in order to manage market risk.

Currency risk

The Foundation is subject to currency risk with respect to investments held in foreign currency. The value of these investments will fluctuate as a result of changes in currency exchange rates.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. Restricted cash and investment

At year end, the Foundation held cash received for specified donees. The total will be disbursed to those donees in the subsequent year and has been shown as deferred revenue on these financial statements.

FOREST COMMUNITY FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2017

4. Investments

	2017	2016
Equities (cost \$727,403)	\$ 867,874	\$ 756,505
Fixed Income Securities (cost \$611,123)	611,892	735,624
Subtotal	1,479,766	1,492,129
Less: Restricted investments	-	(67,718)
	\$ 1,479,766	\$ 1,424,411

Investments are classified as held for trading, accounted for at fair value and managed by a professional investment counsellor selected to provide diversity of investment philosophy and style. The investment goal is to ensure that funds are maintained and grown while optimizing returns consistent with prudent investment.

5. Internally restricted net assets

The Foundation internally restricts amounts from unrestricted contributions for the benefit of the residents of the former municipality of Forest and the geographical area from which the funds were raised.

6. Deferred revenue

At year end, the Foundation held cash received for specified donees. The total will be disbursed to those donees in the subsequent year and has been shown as deferred revenue on these financial statements.

	2017	2016
Restricted cash	\$ 7,768	\$ 36,495
Restricted investments	-	67,718
	\$ 7,768	\$ 104,213

During the year, \$104,213 was disbursed to the specified donee and the deferred revenue and related expenditures were recognized in the year.

FOREST COMMUNITY FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2017

7. Donations

During the year donations were made to the following organizations.

	2017
Forest - Lambton Museum	\$ 1,600
Forest Agricultural Society	4,000
Forest Kiwanis Canada Day Committee	1,000
Forest Minor Baseball	4,000
Kiwanis Club of Forest	10,067
Lambton Senior Citizens Home Corporation	15,000
Lambton Shores Communities in Bloom, Lambton County Developmental Services and Forest Garden Club joint grant	5,500
Lambton Shores Nature Trails	3,000
Lambton Shores Pickleball & Tennis Group	3,300
North Lambton Secondary School	8,000
	<hr/>
	\$ 55,467

During the year, unused grants from the previous years totalling \$641, (2016 - \$4,781) were refunded to the foundation and are shown as Refunded donations on the statement of operations.

8. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.