

FOREST COMMUNITY FOUNDATION

Financial Statements

Year Ended December 31, 2016

MPW

CHARTERED PROFESSIONAL ACCOUNTANTS LLP

FOREST COMMUNITY FOUNDATION

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Year Ended December 31, 2016

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CHARTERED PROFESSIONAL ACCOUNTANTS LLP

26 Front Street West
Strathroy, ON N7G 1X4
Phone: 519-245-4890
Fax: 519-245-0058
Email: strathroy@mpw.ca
www.mpw.ca

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, 2016 and December 31, 2015 and the statements of revenues and expenditures, changes in net assets and cash flow for the years ended December 31, 2016 and December 31, 2015, 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 fundraising activities 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 fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2016 and December 31, 2015, current assets and net assets as at December 31, 2016 and December 31, 2015.

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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, 2016 and December 31, 2015 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
April 25, 2017

MPW

Chartered Professional Accountants LLP
Licensed Public Accountants

FOREST COMMUNITY FOUNDATION
Statement of Financial Position
December 31, 2016

| | 2016 | 2015 |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 126,065 | \$ 109,176 |
| Accounts receivable | 316 | 6,500 |
| HST recoverable | 1,500 | 355 |
| | 127,881 | 116,031 |
| LONG TERM INVESTMENTS <i>(Note 3)</i> | 1,424,411 | 1,433,945 |
| RESTRICTED CASH AND INVESTMENTS <i>(Note 5)</i> | 104,213 | 43,640 |
| | \$ 1,656,505 | \$ 1,593,616 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 3,500 | \$ 3,501 |
| Deferred revenue | 104,213 | 43,640 |
| | 107,713 | 47,141 |
| NET ASSETS | 1,548,792 | 1,546,475 |
| | \$ 1,656,505 | \$ 1,593,616 |

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, 2016

| | 2016 | 2015 |
|---------------------------------------|---------------------|---------------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 1,546,475 | \$ 1,557,270 |
| Excess of revenue over expenses | 2,317 | (10,795) |
| NET ASSETS - END OF YEAR | \$ 1,548,792 | \$ 1,546,475 |

FOREST COMMUNITY FOUNDATION
Statement of Revenues and Expenditures
Year Ended December 31, 2016

| | 2016 | 2015 |
|--|-----------------|--------------------|
| REVENUE | | |
| Capital gains (losses), net | \$ 67,560 | \$ 14,373 |
| Capital gains distributions | 15,213 | 18,986 |
| Dividend income | 20,452 | 19,214 |
| Donations | 23 | - |
| Donations - Flow Through <i>(Note 6)</i> | 12,000 | - |
| Interest and other income | 26,056 | 26,379 |
| Membership fees | 100 | 110 |
| Refunded donations <i>(Note 7)</i> | 4,781 | 22,360 |
| | 146,185 | 101,422 |
| EXPENSES | | |
| Administration expenses | 2,200 | 2,200 |
| Advertising and promotion | 473 | 430 |
| Bank charges | 65 | 58 |
| Donations - Flow Through <i>(Note 6)</i> | 12,000 | - |
| Donations - Foundation <i>(Note 7)</i> | 51,462 | 50,208 |
| Insurance | 1,949 | 1,998 |
| Investment management fees | 9,026 | 9,732 |
| Memberships | 468 | - |
| Professional fees | 3,638 | 3,638 |
| | 81,281 | 68,264 |
| EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS | 64,904 | 33,158 |
| OTHER INCOME | | |
| Unrealized gain (loss) on investments | (62,587) | (43,953) |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | \$ 2,317 | \$ (10,795) |

FOREST COMMUNITY FOUNDATION

Statement of Cash Flow

Year Ended December 31, 2016

| | 2016 | 2015 |
|---|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Excess (deficiency) of revenue over expenses | \$ 2,317 | \$ (10,795) |
| Items not affecting cash: | | |
| Gain on disposal of investments | (67,560) | (14,373) |
| Unrealized gain on investments | 62,587 | 43,953 |
| | (2,656) | 18,785 |
| Changes in non-cash working capital: | | |
| Accounts receivable | 6,185 | 144 |
| Deferred revenue | 60,573 | 43,640 |
| HST payable | (1,145) | 1 |
| | 65,613 | 43,785 |
| Cash flow from operating activities | 62,957 | 62,570 |
| INVESTING ACTIVITIES | | |
| Purchases of investments | (1,296,326) | (314,817) |
| Proceeds from sale of investments | 1,243,113 | 320,904 |
| Cash flow from (used by) investing activities | (53,213) | 6,087 |
| INCREASE IN CASH FLOW | 9,744 | 68,657 |
| Cash - beginning of year | 152,816 | 84,159 |
| CASH - END OF YEAR | \$ 162,560 | \$ 152,816 |
| CASH FLOW SUPPLEMENTARY INFORMATION | | |
| Interest received | \$ (26,056) | \$ (26,379) |
| Interest paid | \$ 64 | \$ 59 |
| CASH CONSISTS OF: | | |
| Cash | \$ 126,065 | \$ 109,176 |
| Restricted cash | 36,495 | 43,640 |
| | \$ 162,560 | \$ 152,816 |

See notes to financial statements

FOREST COMMUNITY FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2016

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 (ASNFPO).

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments may include treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

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.

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FOREST COMMUNITY FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2016

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

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.

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.

FOREST COMMUNITY FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2016

3. Investments

| | 2016 | 2015 |
|---|--------------|--------------|
| Equities (cost \$684,011) | \$ 756,505 | \$ 692,480 |
| Fixed Income Securities (cost \$738,485) | 735,624 | 741,465 |
| Subtotal | 1,492,129 | 1,433,945 |
| Less: Restricted investments, (cost \$67,718) | (67,718) | - |
| | \$ 1,424,411 | \$ 1,433,945 |

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.

4. 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.

5. Restricted assets

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.

| | 2016 | 2015 |
|------------------------|------------|-----------|
| Cash | \$ 36,495 | \$ 43,640 |
| Restricted investments | 67,718 | - |
| | \$ 104,213 | \$ 43,640 |

6. Donations - Community Fund for Canada's 150th

During the year, the Foundation received and disbursed two donations totalling \$12,000 for projects celebrating the 150th anniversary of Confederation.

FOREST COMMUNITY FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2016

7. Donations

During the year donations were made to the following organizations.

| | 2016 |
|---|-------------|
| Esli Dodge Tennis Court Fundraising Group | \$ 8,250 |
| Forest Curling & Social Club | 13,750 |
| Forest Excelsior Band | 5,000 |
| Forest Kiwanis Canada Day Committee | 1,000 |
| Forest Minor Baseball | 3,000 |
| Forest Ringette Association | 1,800 |
| Forest-Lambton Museum | 1,000 |
| Kinwood Central School | 6,300 |
| North Lambton Secondary School | 3,000 |
| Royal Canadian Legion Branch 176 | 8,362 |
| | <hr/> |
| | \$ 51,462 |

During the year, unused grants from the previous years totalling \$4,781, (2015 - \$22,360) 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.