

**FOREST COMMUNITY FOUNDATION**

**Financial Statements**

**Year Ended December 31, 2018**

**MPW**

**CHARTERED PROFESSIONAL ACCOUNTANTS LLP**

**FOREST COMMUNITY FOUNDATION**  
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**Year Ended December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Forest Community Foundation

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Qualified Opinion*

We have audited the financial statements of Forest Community Foundation (the Foundation), which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, revenues and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the 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 the 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 year ended December 31, 2018, current assets and net assets as at December 31, 2018. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation of scope.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

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*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Strathroy, Ontario  
May 21, 2019

**MPW**

**Chartered Professional Accountants LLP  
Licensed Public Accountants**

**FOREST COMMUNITY FOUNDATION**  
**Statement of Financial Position**  
**December 31, 2018**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 132,617	\$ 125,922
Accounts receivable	394	358
HST recoverable	1,607	1,530
Prepaid expenses	485	-
	<b>135,103</b>	<b>127,810</b>
INVESTMENTS, at market value <i>(Note 3)</i>	<b>1,398,536</b>	<b>1,479,766</b>
RESTRICTED CASH AND INVESTMENTS <i>(Note 4)</i>	<b>60,000</b>	<b>7,768</b>
	<b>\$ 1,593,639</b>	<b>\$ 1,615,344</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 3,500	\$ 3,500
Deferred revenue <i>(Note 6)</i>	60,000	7,768
	<b>63,500</b>	<b>11,268</b>
NET ASSETS	<b>1,530,139</b>	<b>1,604,076</b>
	<b>\$ 1,593,639</b>	<b>\$ 1,615,344</b>

**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, 2018**

	2018	2017
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>\$ 1,604,076</b>	<b>\$ 1,548,792</b>
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	<b>(73,937)</b>	<b>55,284</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,530,139</b>	<b>\$ 1,604,076</b>

See notes to financial statements

**FOREST COMMUNITY FOUNDATION**  
**Statement of Revenues and Expenditures**  
**Year Ended December 31, 2018**

	2018	2017
<b>REVENUES</b>		
Capital gains distributions	\$ 33,135	\$ 19,496
Capital gains (losses), net	(687)	(3,690)
Dividend income	21,210	20,718
Donations - Flow Through	20,107	134,828
Interest and other income	21,321	20,482
Membership fees	100	100
Refunded donations	1,387	641
	<b>96,573</b>	<b>192,575</b>
<b>EXPENSES</b>		
Administration expenses	2,200	2,200
Advertising and promotion	1,150	439
Bank charges	229	473
Donations - Flow Through	20,107	134,828
Donations - Foundation <i>(Note 7)</i>	50,000	55,467
Insurance	1,994	1,970
Investment management fees	9,428	9,302
Memberships	497	478
Professional fees	3,794	3,741
	<b>89,399</b>	<b>208,898</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	<b>7,174</b>	<b>(16,323)</b>
<b>UNREALIZED GAIN (LOSS) ON MAREKETABLE SECURITIES</b>	<b>(81,111)</b>	<b>71,607</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$ (73,937)</b>	<b>\$ 55,284</b>

See notes to financial statements

**FOREST COMMUNITY FOUNDATION**  
**Statement of Cash Flows**  
**Year Ended December 31, 2018**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ (73,937)	\$ 55,284
Items not affecting cash:		
Loss on disposal of investments	687	3,690
Unrealized (gain) loss on investments	81,111	(71,607)
	<b>7,861</b>	<b>(12,633)</b>
Changes in non-cash working capital:		
Accounts receivable	(36)	(42)
Deferred revenue	52,232	(96,445)
Prepaid expenses	(485)	-
HST recoverable	(77)	(30)
	<b>51,634</b>	<b>(96,517)</b>
Cash flow from (used by) operating activities	<b>59,495</b>	<b>(109,150)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(64,913)	(169,577)
Proceeds on sale of investments	4,345	249,857
Cash flow from (used by) investing activities	<b>(60,568)</b>	<b>80,280</b>
<b>DECREASE IN CASH FLOW</b>	<b>(1,073)</b>	<b>(28,870)</b>
Cash - beginning of year	<b>133,690</b>	<b>162,560</b>
<b>CASH - END OF YEAR</b>	<b>\$ 132,617</b>	<b>\$ 133,690</b>
<b>CASH FLOWS SUPPLEMENTARY INFORMATION</b>		
Interest received	\$ (21,321)	\$ (20,482)
Interest paid	\$ 229	\$ 474
<b>CASH CONSISTS OF:</b>		
Cash	\$ 132,617	\$ 125,922
Restricted cash	-	7,768
	<b>\$ 132,617</b>	<b>\$ 133,690</b>

See notes to financial statements



**FOREST COMMUNITY FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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**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. As such the Foundation is not subject to income taxes.

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 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.

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**FOREST COMMUNITY FOUNDATION**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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**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, 2018**

**3. Investments**

	2018	2017
Equities (cost \$727,283)	\$ 807,290	\$ 867,874
Mutual Fund (cost \$60,000)	60,000	-
Fixed Income Securities (cost \$611,123)	591,246	611,892
Subtotal	1,458,536	1,479,766
Less: Restricted investments	(60,000)	-
	<b>\$ 1,398,536</b>	<b>\$ 1,479,766</b>

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. 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.

**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.

	2018	2017
Restricted cash	\$ -	\$ 7,768
Funds	60,000	-
	<b>\$ 60,000</b>	<b>\$ 7,768</b>

During the year, \$7,768 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, 2018**

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**7. Donations**

During the year donations were made to the following organizations.

	<b>2018</b>
Forest Agricultural Society	\$ 12,700
Forest Minor Baseball	4,500
Kiwanis Club of Forest	8,800
Lambton Senior Citizens Home Corporation	15,500
North Lambton Secondary School	4,500
Royal Canadian legion Branch 176	4,000
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	\$ 50,000

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**8. Comparative figures**

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