

**Hazel McCallion Foundation for the Arts,
Culture and Heritage
Financial Statements
For the year ended August 31, 2016**

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Independent Auditor's Report

To the Directors of Hazel McCallion Foundation for the Arts, Culture and Heritage

We have audited the accompanying financial statements of Hazel McCallion Foundation for the Arts, Culture and Heritage, which comprise the statement of financial position as at August 31, 2016, and the statements of operations and net assets 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.

Auditor's 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Hazel McCallion Foundation for the Arts, Culture and Heritage derives revenue from donations, 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 organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue from donations, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended August 31, 2016 and 2015, current assets as at August 31, 2016 and 2015, and net assets as at September 1 and August 31 for both 2016 and 2015 years. Our audit opinion on the financial statements for the year ended August 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

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 Hazel McCallion Foundation for the Arts, Culture and Heritage as at August 31, 2016 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.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
February 16, 2017

Hazel McCallion Foundation for the Arts, Culture and Heritage
Statement of Financial Position

August 31 **2016** **2015**

Assets

Current

Cash	\$ 10,666	\$ 5,816
Short-term investments (Note 2)	1,001,192	1,006,205
HST recoverable	5,659	16,060
Prepaid expenses	1,049	885
	1,018,566	1,028,966

Long-term investments (Note 2)

	114,771	76,678
	\$ 1,133,337	\$ 1,105,644

Liabilities and Net Assets

Current

Accrued liabilities	\$ 5,651	\$ 4,492
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Net assets

	1,127,686	1,101,152
	\$ 1,133,337	\$ 1,105,644

On behalf of the Board:

_____ Director _____ Director

Hazel McCallion Foundation for the Arts, Culture and Heritage
Statement of Operations and Net Assets

For the year ended August 31	2016	2015
Revenue		
Ticket sales	\$ -	\$ 360,024
Donations	-	26,600
Investment income (Note 3)	84,197	5,320
Sponsorship	-	77,530
	84,197	469,474
 Expenses		
Administration	2,368	4,258
Gala	-	137,183
Grants	17,514	115,000
Insurance	2,922	2,145
Investment management fees	14,300	17,057
Printing costs	-	11,060
Production	511	173,363
Professional fees	20,048	13,499
	57,663	473,565
Excess (deficiency) of revenues over expenses for the year	26,534	(4,091)
Net assets, beginning of year	1,101,152	1,105,243
Net assets, end of year	\$ 1,127,686	\$ 1,101,152

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

Hazel McCallion Foundation for the Arts, Culture and Heritage Statement of Cash Flows

For the year ended August 31	2016	2015
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ 26,534	\$ (4,091)
Adjustments required to reconcile excess (deficiency) of revenues over expenses for the year with net cash provided by (used in) operations		
Unrealized (gain) loss in investments	(73,329)	53,937
Changes in non-cash working capital balances		
Prepaid expenses	(164)	51,567
Accrued liabilities	1,159	-
HST recoverable	10,401	(39,200)
Deferred revenue	-	(278,528)
	(35,399)	(216,315)
Investing activities		
Withdrawal of investments (net of proceeds)	40,249	5,934
Increase (decrease) in cash during the year	4,850	(210,381)
Cash, beginning of year	5,816	216,197
Cash, end of year	\$ 10,666	\$ 5,816

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

Hazel McCallion Foundation for the Arts, Culture and Heritage

Notes to Financial Statements

August 31, 2016

1. Significant Accounting Policies

Purpose of the Organization	The purpose of Hazel McCallion Foundation for the Arts, Culture and Heritage (the "Foundation") is to promote and fund arts, culture and heritage for people in Mississauga. The Foundation is exempt from income taxes under Section 149(1) of the Income Tax Act.
Basis of Accounting	These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.
Revenue Recognition	<p>The Foundation follows the deferral method of revenue recognition.</p> <p>Ticket sales and sponsorship are recognized when the event has been held.</p> <p>Unrestricted donation revenues are recognized when funds are received.</p> <p>Investment income includes interest and dividends received during the year and realized and unrealized capital gains, net of capital losses. Investment income on investments is recognized as earned.</p>
Use of Estimates	The preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as information becomes available in the future.
Financial Instruments	Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are recorded at amortized cost less impairment, if applicable, except for investments in equity investments that are quoted in an active market and fixed income and mutual fund investments, which are measured at fair value. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

Hazel McCallion Foundation for the Arts, Culture and Heritage Notes to Financial Statements

August 31, 2016

1. Significant Accounting Policies (continued)

Contributed Services	The Board of Directors and others contribute volunteer services to the Foundation in carrying out its operating activities. Because of the difficulty in determining the fair value of these contributed services, they are not recognized in the financial statements.
Foreign Currency Translation	Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at exchange rates prevailing on the transaction dates. Foreign exchange gains and losses are included in income.

2. Investments

	<u>2016</u>	<u>2015</u>
Short-term investments		
<u>Fixed income</u>		
Wells Fargo Financial 3.70% Due March 30, 2016	\$ -	\$ 39,170
Common shares	901,893	818,132
Mutual funds	79,170	128,948
Preferred shares	20,129	19,955
	<hr/>	<hr/>
Total short-term investments	\$ 1,001,192	\$ 1,006,205
	<hr/>	<hr/>
Long-term investments		
<u>Fixed income</u>		
Province of Alberta 1.70% Due December 15, 2017	\$ 25,395	\$ 25,620
Equitable Bank GIC 1.97% Due April 2, 2018	38,314	-
Home Trust Company GIC 2.55% Due November 1, 2017	51,062	51,058
	<hr/>	<hr/>
Total long-term investments	\$ 114,771	\$ 76,678
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Hazel McCallion Foundation for the Arts, Culture and Heritage Notes to Financial Statements

August 31, 2016

3. Investment Income

	2016	2015
Dividend and interest income	\$ 37,736	\$ 36,851
Realized gain (loss) on investment	(26,868)	22,406
Unrealized gain (loss) on investment	73,329	(53,937)
	\$ 84,197	\$ 5,320

4. Financial Instruments

The significant financial risk to which the Foundation is exposed is market risk.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is exposed to currency risk and other price risk. There have been no changes to these risks from the prior year.

(i) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation enters into foreign currency purchase and sale transactions in its investment portfolio and has investment assets that are denominated in foreign currencies and thus are exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates.

Approximately 24% (2015 - 21%) of the entity's investments are denominated in foreign currency. Gain on foreign exchange totaled \$1,408 (2015 - \$1,957) and are included in excess (deficiency) of revenues over expenses. Risk exposure changes as volume of transactions change and also due to exchange rates.

The average exchange rate on the US\$ was \$1.33 (2015 - \$1.21).

(ii) Other Price Risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation's equity investments in common and preferred shares are exposed to other price risk. Equity investments amount to \$1,001,192 (2015 - \$967,035) or 90% (2015 - 89%) of total investments.

Hazel McCallion Foundation for the Arts, Culture and Heritage
Notes to Financial Statements

August 31, 2016

5. Related Party Transactions

No remuneration was paid to Directors or Officers during the year.

6. Comparative Figures

Certain comparative figures have been reclassified in order to correspond to the presentation adopted in the current year.