

**Hazel McCallion Foundation for the Arts,
Culture and Heritage
Financial Statements
For the year ended August 31, 2018**

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Tel: 905 270-7700
Fax: 905 270-7915
Toll-free: 866 248 6660
www.bdo.ca

BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

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, 2018, 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 of revenue over expenses, and cash flows from operations for the years ended August 31, 2018 and 2017, current assets as at August 31, 2018 and 2017, and net assets as at September 1 and August 31 for both 2018 and 2017 years. Our audit opinion on the financial statements for the year ended August 31, 2017 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, 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.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
December 12, 2018

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

August 31 **2018** **2017**

Assets

Current

Cash	\$	12,870	\$		16,645
Short-term investments (Note 2)		975,549			1,136,290
HST recoverable		-			3,010
Prepaid expenses		990			965
		989,409			1,156,910

Long-term investments (Note 2)

		54,373			-
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	\$	1,043,782	\$		1,156,910
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Liabilities and Net Assets

Current


Accrued liabilities	\$	5,990	\$		5,990
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Net assets

		1,037,792			1,150,920
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	\$	1,043,782	\$		1,156,910
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On behalf of the Board:


 _____ Director
 President


 _____ Director
 Secretary - Treasurer

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

For the year ended August 31	2018	2017
Revenue		
Investment income (Note 3)	\$ 102,851	\$ 78,967
Expenses		
Administration	1,066	2,692
Grants	186,929	27,000
Insurance	3,254	3,236
Investment management fees	16,699	16,118
Production	1,217	-
Professional fees	6,814	6,687
	<u>215,979</u>	<u>55,733</u>
Excess (deficiency) of revenue over expenses for the year	(113,128)	23,234
Net assets, beginning of year	<u>1,150,920</u>	<u>1,127,686</u>
Net assets, end of year	<u>\$ 1,037,792</u>	<u>\$ 1,150,920</u>

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	2018	2017
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (113,128)	\$ 23,234
Adjustments required to reconcile excess (deficiency) of revenue over expenses for the year with net cash provided by (used in) operations		
Unrealized gain on investments	(13,182)	(3,914)
Changes in non-cash working capital balances		
HST recoverable	3,010	2,649
Prepaid expenses	(25)	84
Accrued liabilities	-	339
	(123,325)	22,392
Investing activity		
Redemption (purchase) of investments (net of proceeds)	119,550	(16,413)
Increase (decrease) in cash during the year	(3,775)	5,979
Cash, beginning of year	16,645	10,666
Cash, end of year	\$ 12,870	\$ 16,645

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, 2018

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>Investment income includes interest and dividends received during the year, realized and unrealized capital gains, net of capital losses, and foreign exchange gains and 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 statement of financial position 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, 2018

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

	2018	2017
Short-term investments		
<u>Fixed income</u>		
CPN Ottawa Ontario 2.05% Due April 23, 2019	\$ 4,309	\$ -
Laurentian Bank 2.00% Due December 24 2018	27,340	-
Wells Fargo Canada Corp 2.94% Due July 25, 2019	24,182	-
Province of Alberta 1.70%	-	25,140
Equitable Bank GIC 1.97%	-	39,067
Home Trust Company GIC 2.55%	-	51,058
	55,831	115,265
Common shares	792,982	846,193
Mutual funds	31,039	83,297
Preferred shares	95,697	91,535
	\$ 975,549	\$ 1,136,290
	2018	2017
Long-term investments		
<u>Fixed income</u>		
Bank of Nova Scotia 2.40% Due October 28, 2019	\$ 39,313	\$ -
Royal Bank of Canada 2.35% Due December 9, 2019	15,060	-
	\$ 54,373	\$ -

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

August 31, 2018

3. Investment Income

	<u>2018</u>	<u>2017</u>
Dividend and interest income	\$ 33,824	\$ 32,091
Realized gain on investments	55,845	42,962
Unrealized gain on investments	13,182	3,914
	<u>\$ 102,851</u>	<u>\$ 78,967</u>

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 45% (2017 - 27%) of the entity's investments are denominated in foreign currency. Loss on foreign exchange totaled \$171 (2017 - \$61) and is included in investment income. Risk exposure changes as volume of transactions change and also due to exchange rates.

(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 \$919,718 (2017 - \$1,021,025) or 89% (2017 - 90%) of total investments.

5. Related Party Transactions

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