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**HAZEL MCCALLION FOUNDATION FOR THE ARTS, CULTURE  
AND HERITAGE  
FINANCIAL STATEMENTS  
AUGUST 31, 2012**

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**HAZEL MCCALLION FOUNDATION FOR THE ARTS, CULTURE  
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**NOTES TO THE FINANCIAL STATEMENTS**

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**AUGUST 31, 2012**

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**9. FUTURE CHANGES TO SIGNIFICANT ACCOUNTING POLICIES**

In March 2011, the Canadian Institute of Chartered Accountants issued a set of new Canadian accounting standards for not-for-profit organizations, effective for fiscal periods beginning on or after January 1, 2012, with earlier adoption being permitted. The Foundation is currently determining the impact of the transition to these new standards on its financial statements, as well as determining an appropriate adoption date.

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**6. FINANCIAL INSTRUMENTS - continued**

**b) Credit risk - continued**

In addition, the Foundation is exposed to credit risk in the event of non-performance of counterparties in connection with its accounts receivable. The maximum exposure to credit risk is the carrying value of the accounts receivable on the balance sheet. Accounts receivable are non-interest bearing and are generally due in 30-60 days

**c) Market risk**

Market risk refers to the risk that the fair value of financial instruments will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Foundation's investments in common shares, preferred shares, and mutual funds exposes the Foundation to price risks as these investments are subject to price fluctuations in an open market. The Foundation does not use derivative financial instruments to alter the effects of this risk.

**7. RELATED PARTY TRANSACTIONS**

No remuneration was paid to Directors or Officers during the year. In addition, the Foundation paid for a villa rental which is partly owned by one of the board members. The amount charged for the rental was below fair market value.

**8. CAPITAL DISCLOSURES**

The Foundation's objectives when managing capital are to hold sufficient unrestricted net assets to enable it to withstand negative unexpected financial events, in order to maintain stability in the financial structure. The Foundation also seeks to maintain sufficient liquidity and short-term investments to meet its obligations as they come due. The Foundation manages its investments in such a manner as to maximize investment income and ensure the safety of its assets. The Foundation is not subject to any externally imposed requirements on capital.



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**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2012	2011
Trade payables and accrued liabilities	\$ 14,998	\$ 23,391
Sales tax payable	-	27,537
	<u>\$ 14,998</u>	<u>\$ 50,928</u>

The accounts payable and accrued liabilities above all have normal credit and payment terms.

**6. FINANCIAL INSTRUMENTS**

**a) Fair value of financial assets and liabilities**

The Foundation's financial instruments consist of cash, short-term investments, accounts receivable, and accounts payable and accrued liabilities.

Unless otherwise noted, the Board of Directors is of the opinion that the Foundation is not exposed to significant cash flow, credit, currency, interest, liquidity, price or market rate risk arising from these financial instruments, and that the fair values of its financial instruments approximate their carrying value.

**b) Credit risk**

Credit risk refers to the risk that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party or if there is a concentration of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions.

Certain of the Foundations investments are in excess of the federally insured limit by the Canada Deposit Insurance Corporation (CDIC), in addition mutual funds, and common and preferred shares are not covered by the CDIC, exposing the Foundation to credit risk on amounts over the limit. The Board believes its' exposure to this credit risk is not significant.

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**AUGUST 31, 2012**

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**3. INVESTMENTS - continued**

**SHORT-TERM - continued**

Mutual Funds

RBC Investment savings account                      \$ 199,217

Preferred Shares

Royal Bank of Canada                                      \$ 20,495

Accrued Interest    5,834

Fair Market Value    \$ 901,932

**LONG-TERM**

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<u>Fixed income</u>			
Bank of Nova Scotia Deposit Note	\$ 38,777	4.56%	October 30, 2013
Home Trust Company GIC	50,000	2.35%	March 24, 2014
Laurentian Bank GIC	50,000	2.55%	March 22, 2015
Accrued interest	<u>1,169</u>		
Fair Market Value	<u>\$ 139,946</u>		

**4. ACCOUNTS RECEIVABLE**

	2012	2011
Accounts receivable	\$ 25,000	\$ 4,000
Sales tax receivable	965	-
	<u>\$ 25,965</u>	<u>\$ 4,000</u>

All of the amounts included in accounts receivable have normal credit terms. Included in receivables are balances over 90 days of \$25,000 (2011 - \$4,000), all of which are considered fully collectible.

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# HAZEL MCCALLION FOUNDATION FOR THE ARTS, CULTURE AND HERITAGE

## NOTES TO THE FINANCIAL STATEMENTS

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AUGUST 31, 2012

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### 3. INVESTMENTS

#### SHORT-TERM

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<u>Fixed income</u>			
Wells Fargo Financial Canada Term Note	\$ 29,189	4.40%	December 12, 2012
Resmor Trust Company GIC	80,000	3.25%	April 15, 2013
CPN Province of Ontario	<u>19,606</u>	NA	June 2, 2013
Total Fixed Income	<u>\$ 128,795</u>		
 <u>Common Shares</u>			
Arc Resources Ltd	\$ 22,587		
Altagas Ltd	23,730		
Bank of Nova Scotia	21,841		
BCE Inc	23,006		
Canadian National Railway Co	23,091		
Canadian Apartment PPTYS Real Estate Investment Trust	34,472		
Calloway Real Estate Investment	21,448		
Crescent Point Energy Corp	23,241		
Cenovus Energy Inc	21,189		
Enbridge Inc	21,190		
Emera Inc	22,511		
Husky Energy Inc	22,342		
Inter Pipeline Fund	24,455		
H&R Real Estate Investment Trust	22,669		
IShares Dex Hybrid Bond Fund	21,090		
Morguard Real Estate Trust	19,471		
National Bank of Canada	22,129		
Power Corp of Canada	21,512		
Russel Metals Inc	21,919		
Rogers Communications Inc	23,584		
Royal Bank of Canada	23,171		
Transcanada Corporation	22,955		
Thomson Reuters Corporation	21,489		
Toronto Dominion Bank	<u>22,499</u>		
Total Common Shares	<u>\$ 547,591</u>		



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# HAZEL MCCALLION FOUNDATION FOR THE ARTS, CULTURE AND HERITAGE

## NOTES TO THE FINANCIAL STATEMENTS

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AUGUST 31, 2012

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### 2. SIGNIFICANT ACCOUNTING POLICIES - continued

#### d) Financial instruments

The Foundation classifies its financial instruments into the following categories based on the purpose for which the asset was acquired or liability incurred, as follows:

i) **Assets held-for-trading** - financial instruments, classified as held-for-trading are reported at fair value at each statement of financial position date, and any change in fair value is recognized in excess of revenues over expenses in the period during which the change occurs. Transaction costs are expensed when incurred. In these financial statements, cash, short-term investments, accounts receivable and accounts payable and accrued liabilities have been classified as held-for-trading.

ii) **Assets held-to-maturity** - financial instruments classified as held-to-maturity are financial assets with fixed or determinable payments and fixed maturities that the Board of Directors has a positive intention and ability to hold to maturity. These assets are initially recorded at fair value and subsequently carried at amortized cost, using the effective interest rate method. Transaction costs are included in the amount initially recognized. In these financial statements, long-term investments have been classified as held-to-maturity.

iii) **Assets available-for-sale** - financial instruments classified as available-for-sale are reported at fair value at each statement of financial position date, and any change in fair value is recognized in net assets in the period in which the change occurs. All transactions related to investments are recorded on a settlement date basis.

iv) **Other financial liabilities held for purposes other than for trading** - financial instruments classified as loans and receivables and financial liabilities held for purposes other than for trading are carried at amortized cost using the effective interest rate method. Transaction costs are expensed when incurred.

#### e) Cash and cash equivalents

The Foundation's policy is to disclose bank balances under cash and cash equivalents including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn, and temporary investments with a maturity period of three months or less from the date of acquisition.

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# HAZEL MCCALLION FOUNDATION FOR THE ARTS, CULTURE AND HERITAGE

## NOTES TO THE FINANCIAL STATEMENTS

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AUGUST 31, 2012

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### 1. PURPOSE OF THE ORGANIZATION

The purpose of the Hazel McCallion Foundation for the Arts, Culture and Heritage is to promote and fund arts, culture and heritage for people in Mississauga. It is exempt from income taxes under Section 149(1) of the Income Tax Act.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

#### a) Revenue recognition

Ticket sales and auction revenues are recognized when the event has been held. Investment income, donations and sponsorships, and unrealized gains on investments are recognized as earned.

#### b) Use of estimates

The preparation of the Foundation's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary they are reported in operations in the period in which they become known. Actual results in the future may differ from those estimates made.

#### c) 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.



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**HAZEL MCCALLION FOUNDATION FOR THE ARTS, CULTURE  
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**STATEMENT OF CASH FLOWS**

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FOR THE YEAR ENDED AUGUST 31,	2012	2011
<b>CASH FROM OPERATING ACTIVITIES:</b>		
Excess of revenue over expenses	\$ 78,788	\$ 60,297
Net change in non-cash working capital:		
Accounts receivable	(21,965)	10,816
Prepaid expenses	23	(932)
Accounts payable and accrued liabilities	(35,930)	35,140
Deferred revenue	(1,114)	(46,991)
	\$ (58,986)	\$ (1,967)
	\$ 19,802	\$ 58,330
<b>FINANCING AND INVESTING ACTIVITIES:</b>		
Net change in investments	(82,812)	(57,234)
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>\$ (63,010)</b>	<b>\$ 1,096</b>
<b>CASH - beginning of year</b>	<b>66,925</b>	<b>65,829</b>
<b>CASH - end of year</b>	<b>\$ 3,915</b>	<b>\$ 66,925</b>

See accompanying Notes to the Financial Statements

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# HAZEL MCCALLION FOUNDATION FOR THE ARTS, CULTURE AND HERITAGE

## STATEMENT OF OPERATIONS

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FOR THE YEAR ENDED AUGUST 31,	2012	2011
<b>REVENUE</b>		
Auction	\$ 87,844	\$ 105,634
Donations and sponsorships	42,600	49,950
Investment income	26,572	39,031
Tickets	300,115	261,424
Unrealized gain on investments	31,663	32,034
	<b>\$ 488,794</b>	<b>\$ 488,073</b>
<b>EXPENSES</b>		
Administration	\$ 35,254	\$ 37,508
Auction	32,386	37,333
Feature entertainment	114,465	129,517
Food and beverage	115,469	129,507
Grants	40,600	5,000
Investment management fees	15,724	13,268
Production	48,696	63,756
Professional fees	7,207	8,608
Promotion	205	3,279
	<b>\$ 410,006</b>	<b>\$ 427,776</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 78,788</b>	<b>\$ 60,297</b>
<b>OPERATING FUND - beginning of year</b>	<b>978,197</b>	<b>917,900</b>
<b>OPERATING FUND - end of year</b>	<b>\$ 1,056,985</b>	<b>\$ 978,197</b>

See accompanying Notes to the Financial Statements

**HAZEL MCCALLION FOUNDATION FOR THE ARTS, CULTURE  
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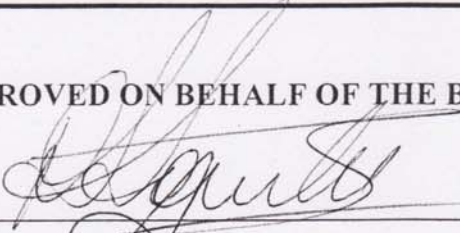
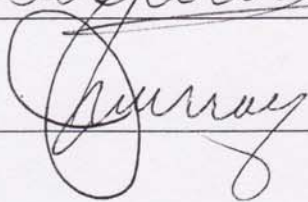
**STATEMENT OF FINANCIAL POSITION**

<b>AUGUST 31,</b>	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 3,915	\$ 66,925
Short-term investments - note 3	901,932	806,660
Accounts receivable - note 4	25,965	4,000
Prepaid expenses	909	932
	\$ 932,721	\$ 878,517
<b>LONG-TERM INVESTMENTS - note 3</b>	<b>139,946</b>	<b>152,406</b>
	<b>\$ 1,072,667</b>	<b>\$ 1,030,923</b>

<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities - note 5	\$ 14,998	\$ 50,928
Deferred revenue	684	1,798
	\$ 15,682	\$ 52,726

<b>NET ASSETS</b>		
<b>OPERATING FUND</b>	<b>1,056,985</b>	<b>978,197</b>
	<b>\$ 1,072,667</b>	<b>\$ 1,030,923</b>

**APPROVED ON BEHALF OF THE BOARD**

	Director
	Director

See accompanying Notes to the Financial Statements



**INDEPENDENT AUDITORS' REPORT**  
**(continued)**

**Opinion**

In our opinion, 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, 2012 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**WITHEY ADDISON LLP**

Mississauga, Canada  
DATE

Chartered Accountants  
Licensed Public Accountants

## **INDEPENDENT AUDITORS' 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, 2012, and the statements of operations 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 generally accepted accounting principles, and for such internal control as the 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.