

**Hazel McCallion Foundation for the Arts,
Culture and Heritage
Financial Statements
For the year ended August 31, 2019**

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 9



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

Qualified Opinion

We have audited the financial statements of Hazel McCallion Foundation for the Arts, Culture and Heritage (the "Foundation"), which comprise the statement of financial position as at August 31, 2019, and the statements of operations and net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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 August 31, 2019, and its results of 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 donations, 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 donations revenue, deficiency of revenue over expenses, and cash flows from operations for the years ended August 31, 2019 and 2018, current assets as at August 31, 2019 and 2018, and net assets as at September 1 and August 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended August 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity 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.



Independent Auditor's Report (continued)

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 qualified 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.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
November 29, 2019

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

August 31 **2019** **2018**

Assets

Current

Cash	\$ 17,293	\$ 12,870
Short-term investments (Note 2)	969,411	975,549
Prepaid expenses	1,021	990

	987,725	989,409
--	----------------	---------

Long-term investments (Note 2)	-	54,373
--------------------------------	---	--------

	\$ 987,725	\$ 1,043,782
--	-------------------	---------------------

Liabilities and Net Assets

Current

Accrued liabilities	\$ 5,990	\$ 5,990
---------------------	----------	----------

Net assets	981,735	1,037,792
-------------------	----------------	------------------

	\$ 987,725	\$ 1,043,782
--	-------------------	---------------------

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 **2019** **2018**

Revenue

Investment income (Note 3)	\$ 37,471	\$ 102,851
----------------------------	------------------	-------------------

Expenses

Administration	268	1,066
Grants	64,300	186,929
Insurance	3,401	3,254
Investment management fees	15,781	16,699
Production	3,086	1,217
Professional fees	6,692	6,814

	93,528	215,979
--	---------------	---------

Deficiency of revenue over expenses for the year	(56,057)	(113,128)
---	-----------------	-----------

Net assets, beginning of year	1,037,792	1,150,920
--------------------------------------	------------------	-----------

Net assets, end of year	\$ 981,735	\$ 1,037,792
--------------------------------	-------------------	---------------------

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 **2019** **2018**

Cash provided by (used in)

Operating activities

Deficiency of revenue over expenses for the year	\$ (56,057)	\$ (113,128)
Adjustments required to reconcile deficiency of revenue over expenses for the year with net cash provided by (used in) operations		
Unrealized loss (gain) on investments	18,862	(13,182)
Changes in non-cash working capital balances		
HST recoverable	-	3,010
Prepaid expenses	(31)	(25)
	(37,226)	(123,325)

Investing activity

Redemption of investments	41,649	119,550
	4,423	(3,775)

Increase (decrease) in cash during the year

Cash, beginning of year	12,870	16,645
-------------------------	---------------	--------

Cash, end of year	\$ 17,293	\$ 12,870
--------------------------	------------------	------------------

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, 2019

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, 2019

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

	2019	2018
Short-term investments		
<u>Fixed income</u>		
Bank of Nova Scotia 2.40% Due October 28, 2019	\$ 39,347	\$ -
CPN Province of Ontario 1.78% Due January 13, 2020	21,198	-
CPN Hydro-Quebec 1.87% Due January 10, 2020	3,216	-
Royal Bank of Canada 2.35% Due December 9, 2019	15,099	-
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
	78,860	55,831
Common shares	766,272	792,982
Mutual funds	52,466	31,039
Preferred shares	71,813	95,697
	\$ 969,411	\$ 975,549
	2019	2018
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, 2019

3. Investment Income

	2019	2018
Dividend and interest income	\$ 31,163	\$ 33,824
Realized gain on investments	25,170	55,845
Unrealized (loss) gain on investments	(18,862)	13,182
	\$ 37,471	\$ 102,851

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 47% (2018 - 45%) of the entity's investments are denominated in foreign currency. Gain on foreign exchange totaled \$38 (2018 - loss \$171) 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 \$890,551 (2018 - \$919,718) or 92% (2018 - 89%) of total investments.

5. Related Party Transactions

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