

The Killarney Foundation Inc.
Financial Statements
December 31, 2017

Management's Responsibility

To the Directors of The Killarney Foundation Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 21, 2018

Secretary/Treasurer

Independent Auditors' Report

To the Directors of The Killarney Foundation Inc.:

We have audited the accompanying financial statements of The Killarney Foundation Inc., which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in 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.

Auditors' 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 auditors' 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Killarney Foundation Inc. as at December 31, 2017 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Brandon, Manitoba

April 21, 2018

MNP LLP

Chartered Professional Accountants

The Killarney Foundation Inc.
Statement of Financial Position

As at December 31, 2017

	<i>Operating Fund</i>	<i>Designated Endowment Fund</i>	<i>Undesignated Endowment Fund</i>	<i>2017</i>	<i>2016</i>
Assets					
Current					
Cash	7,038	126,228	112,814	246,080	72,071
Accounts receivable	462	8,468	7,571	16,501	18,514
	7,500	134,696	120,385	262,581	90,585
Investments (Note 6)	-	3,321,326	2,921,460	6,242,786	6,170,122
	7,500	3,456,022	3,041,845	6,505,367	6,260,707
Liabilities					
Current					
Accounts payable and accruals	7,500	-	-	7,500	6,500
Commitments (Note 8)					
Net Assets					
Net assets	-	3,456,022	3,041,845	6,497,867	6,254,207
	7,500	3,456,022	3,041,845	6,505,367	6,260,707

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

The Killarney Foundation Inc.
Statement of Operations

For the year ended December 31, 2017

	<i>Operating Fund</i>	<i>Designated Endowment Fund</i>	<i>Undesignated Endowment Fund</i>	<i>2017</i>	<i>2016</i>
Revenue					
Interest and dividends	-	136,024	123,345	259,369	237,918
Expenses					
Consulting fees	14,233	-	-	14,233	16,070
Grants (Note 9)	-	67,050	135,354	202,404	251,740
Miscellaneous	616	-	-	616	244
Office	1,015	-	-	1,015	1,193
Professional fees	43,087	-	-	43,087	20,509
Travel	388	-	-	388	928
	59,339	67,050	135,354	261,743	290,684
Excess (deficiency) of revenue over expenses before other items	(59,339)	68,974	(12,009)	(2,374)	(52,766)
Other items					
Foreign exchange loss	(5,875)	-	-	(5,875)	-
Gain on held for trading assets	-	260,452	313,174	573,626	848,572
Excess (deficiency) of revenue over expenses	(65,214)	329,426	301,165	565,377	795,806

The accompanying notes are an integral part of these financial statements

The Killarney Foundation Inc.
Statement of Changes in Net Assets
For the year ended December 31, 2017

	<i>Operating Fund</i>	<i>Designated Endowment Fund</i>	<i>Undesignated Endowment Fund</i>	2017	2016
Net assets, beginning of year	-	3,301,880	2,952,327	6,254,207	5,128,163
Excess (deficiency) of revenue over expenses	(65,214)	329,426	301,165	565,377	795,806
Endowment contributions	-	97,961	33,955	131,916	143,416
Net realized capital gains (losses)	-	(239,141)	(214,492)	(453,633)	186,822
Inter-fund transfers (Note 4)	65,214	(34,104)	(31,110)	-	-
Distributable income	-	(2,273)	-	(2,273)	(11,052)
Capitalized income	-	2,273	-	2,273	11,052
Net assets, end of year	-	3,456,022	3,041,845	6,497,867	6,254,207

The accompanying notes are an integral part of these financial statements

The Killarney Foundation Inc.

Statement of Cash Flows

For the year ended December 31, 2017

	Operating Fund	Designated Endowment Fund	Undesignated Endowment Fund	2017	2016
Cash provided by (used for) the following activities					
Operating activities					
Dividends and interest received	-	137,163	124,488	261,651	237,229
Cash paid - grants	-	(67,050)	(135,354)	(202,404)	(251,740)
Cash paid - operating expenses	(58,608)	-	-	(58,608)	(39,007)
	(58,608)	70,113	(10,866)	639	(53,518)
Financing					
Endowment contributions received	-	97,961	33,955	131,916	143,416
Net realized capital gains (losses)	-	(333,868)	(207,764)	(541,632)	186,822
	-	(235,907)	(173,809)	(409,716)	330,238
Investing					
Purchase of investments	-	(1,256,499)	(1,122,981)	(2,379,480)	(3,306,960)
Proceeds on investments sold	-	1,545,358	1,417,208	2,962,566	2,847,682
Transfers	59,339	(31,334)	(28,005)	-	-
	59,339	257,525	266,222	583,086	(459,278)
Increase (decrease) in cash resources	731	91,731	81,547	174,009	(182,558)
Cash resources, beginning of year	6,307	34,497	31,267	72,071	254,629
Cash resources, end of year	7,038	126,228	112,814	246,080	72,071

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

The Killarney Foundation Inc. (the "Organization") was incorporated under the laws of the Province of Manitoba as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Organization

The Killarney Foundation Inc. is a registered community fund established to support cultural, educational, recreational and charitable purposes in the Municipality of Killarney-Turtle Mountain and surrounding area.

The Foundation has a permanent pool of capital made up of gifts and bequests, carefully invested, which provides a perpetual stream of income to assist and support the changing needs of the community.

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principles, using the following significant accounting policies:

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors.

Three funds are maintained: Operating Fund, Designated Endowment Fund and Undesignated Endowment Fund.

The Operating Fund is used to account for all expenses related to general and ancillary operations of the Foundation. Funds are transferred from the Endowment Funds to the Operating Fund to cover the administrative costs of the Foundation. The Designated Endowment Fund has been allocated its share of administrative overhead by the Board of Directors based on the average number of units held in the fund during the year. During the year an average of 52.81% (2016 - 52.46%) of all investments were held in the Designated Endowment Fund, therefore 52.81% of the administrative overhead has been allocated to the fund. The Undesignated Endowment Fund is allocated the remaining administrative costs.

The Designated and Undesignated Endowment Funds are restricted funds used to account for monies for specific purposes. Contributions are in the form of endowments from which only the income earned is expendable. In situations where contributions are specified to be used for operating purposes, the contributions would be fully expended.

Revenue recognition

The Foundation uses the deferral method of accounting for contributions and reports on a fund accounting basis. The Designated Endowment Fund contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. The Undesignated Endowment Fund and Operating Fund contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in the Endowment Fund balances. Restricted investment income is recognized in the appropriate deferred contribution balance or in net assets depending on the nature of the restrictions. Unrestricted investment income is recognized as revenue when earned.

Gains and losses on disposals of investments are reflected directly in the Endowment Funds. For the year, net capital losses realized were \$453,633 (2016 - net capital gains of \$186,822).

Pledges are recognized as revenue when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured. At December 31, 2017 the Foundation has no pledges receivable.

3. Significant accounting policies *(Continued from previous page)*

Accounts receivable

The accounts receivable consist mainly of accrued interest receivable and are recorded with no allowance for doubtful accounts.

Capital gains

The Foundation will allocate 25% of capital gains, net of capital losses, earned in the previous year to the Undesignated Endowment Fund for the purposes of granting. The remaining 75% will continue to be capitalized and included in contributed capital.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Foundation has not made such an election. Cash and long-term investments have been designated to be subsequently measured at their fair value.

The Organization subsequently measures long-term investments quoted in an active market and all derivative instruments at fair value. Fair value is determined by reference to quoted market prices. Long-term investments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. As of December 31, 2017, all long-term investments have quotes in an active market.

All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the statement of operations for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The carrying values of financial assets measured at amortized cost or fair value are as follows:

	2017	2016
Financial assets measured at fair value:		
Cash	246,080	72,071
Investments	6,242,786	6,170,122
Financial assets measured at amortized cost:		
Accounts receivable	16,039	18,321

3. Significant accounting policies *(Continued from previous page)*

Financial asset impairment

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. Management considers whether the issuer is having significant financial difficulty or whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Foundation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Foundation reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in the current year statement of operations.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations in the year the reversal occurs.

Measurement uncertainty (use of estimates)

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Measurement uncertainty applies to the allocation between designated and undesignated amounts reported on the statement of financial position of the Foundation.

Contributed services

Volunteers contribute approximately 70 hours per year to assist the Killarney Foundation Inc. in carrying out its service-delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

4. Interfund transactions

During the year the Foundation transferred \$34,104 (2016 - \$20,471) from the Designated fund and \$31,110 (2016 - \$18,473) from the Undesignated Fund to provide for expenditures in the Operating fund totaling \$65,214 (2016 - \$38,944).

5. Income taxes

The Organization is registered as a charitable organization under the *Income Tax Act* (the "Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The Killarney Foundation Inc.
Notes to the Financial Statements
For the year ended December 31, 2017

6. Investments

	2017		2016	
	Fair Market Value	Cost	Fair Market Value	Cost
DESIGNATED				
Investment in Bonds and Debentures:				
Provincial Government	31,253	31,615	-	-
Corporate/Guaranteed Certificates	746,164	750,924	822,195	763,791
	<u>777,417</u>	<u>782,539</u>	<u>822,195</u>	<u>763,791</u>
Investment in Shares:				
Canadian Equities	<u>2,440,237</u>	<u>2,075,782</u>	<u>2,272,396</u>	<u>2,270,766</u>
Investment in Savings Account	<u>47,633</u>	<u>47,633</u>	<u>114,735</u>	<u>114,735</u>
Winnipeg Foundation	52,890	45,298	45,298	45,298
Investment in Mineral Rights	3,149	3,149	3,149	3,149
	<u>56,039</u>	<u>48,447</u>	<u>48,447</u>	<u>48,447</u>
	<u>3,321,326</u>	<u>2,954,401</u>	<u>3,257,773</u>	<u>3,197,739</u>
UNDESIGNATED				
Investment in Bonds and Debentures:				
Provincial Government	27,932	28,256	-	-
Corporate/Guaranteed Certificates	666,875	671,130	745,216	692,279
	<u>694,807</u>	<u>699,386</u>	<u>745,216</u>	<u>692,279</u>
Investment in Shares:				
Canadian Equities	<u>2,180,933</u>	<u>1,855,206</u>	<u>2,059,991</u>	<u>2,058,161</u>
Investment in Savings Account	<u>42,571</u>	<u>42,571</u>	<u>103,993</u>	<u>103,993</u>
Investment in Mineral Rights:	<u>3,149</u>	<u>3,149</u>	<u>3,149</u>	<u>3,149</u>
	<u>2,921,460</u>	<u>2,600,312</u>	<u>2,912,349</u>	<u>2,857,582</u>
Total Investment	<u>6,242,786</u>	<u>5,554,713</u>	<u>6,170,122</u>	<u>6,055,321</u>

The Foundation's financial instruments that are exposed to interest rate risk are long-term investments. As of December 31, 2017, interest rates associated with corporate and provincial bonds range from 2.15% - 7.25% (2016 - 5.25% - 7.50%) with maturity dates from 2018 to 2026 (2016 - 2018 to 2026).

7. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Foundation is exposed to interest rate risk primarily relating to investments.

The Killarney Foundation Inc.
Notes to the Financial Statements
For the year ended December 31, 2017

7. Financial instruments *(Continued from previous page)*

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign 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 enters into transactions to purchase shares or equities, for which the market price fluctuates.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization enters into investment transactions denominated in U.S. currency for which the related revenues, capital gains and losses and equity balances are subject to exchange rate fluctuations. As at December 31, 2017, the following items are denominated in U.S. currency:

	2017	2016
	CAD\$	CAD\$
Investments (\$212,649 USD)	267,302	-

8. Commitments

As at December 31, 2017, the Foundation has grant commitments for designated funds of \$43,288 and for undesignated funds of \$22,122. Total commitments for the Foundation are \$65,410 (2016 - \$248,850).

9. Grants

	2017	2016
Designated		
Diagnostic Services of Manitoba	-	30,852
Lakeland Regional Library	-	1,105
Holy Trinity Anglican Church	2,167	2,157
J.A.V. David Museum Inc.	(348)	431
Killarney Food Bank	203	202
Killarney Legion #25 - Peace Garden Athletic Camp	470	544
Killarney United Church	5,317	4,145
Municipality of Clanwilliam-Erickson	1,977	4,300
Municipality of Harrison Park	7,509	12,295
Municipality of Killarney-Turtle Mountain	12,633	8,292
Prairie Mountain RHA	7,552	1,491
Rural Municipality of Argyle	5,601	6,470
Scholarships	18,464	28,632
Turtle Mountain Flywheel Club Inc.	1,756	752
Killarney Ag Society	1,500	-
Killarney Food Services	124	-
Killarney Kiddie Korner	390	-
Killarney Meals-On-Wheels	606	-
Turtle Mountain School Division	400	-
Tri-Lake Palliative Care	729	-
	67,050	101,668

The Killarney Foundation Inc.
Notes to the Financial Statements
For the year ended December 31, 2017

9. **Grants** (Continued from previous page)

	2017	2016
Undesignated		
Killarney Arts Council	-	30,000
Municipality of Killarney-Turtle Mountain	101,774	95,572
Scholarships	10,000	10,000
Turtle Mountain School Division	5,000	14,500
Killarney Ag Society	13,000	-
Killarney Kiddie Korner	3,000	-
Turtle Mountain Flywheel Club Inc.	2,580	-
	135,354	150,072
	202,404	251,740

10. **Endowment contributions**

Total Contributions prior to 2017	\$ 6,428,871
2017 Contributions	
Baldur Area Fund	
Baldur Lions Club	600
Cindy Baete	540
Baldur History Committee	100
In Perpetual Memory of F. Roeges, L. MacGillvray, R. Playfair, G. Hannah, M. Fransoo	300
Portage Mutual	500
Rural Municipality of Argyle	100
Winnipeg Foundation	1,617
Clanwilliam-Erickson Area Fund	
Estate of Jeffrey Bruce Kirk	7,977
Julie Hutton	80
Ken & Jackie Greavett	540
Municipality of Clanwilliam-Erickson	660
Quinn Greavett	580
Sunova Credit Union	250
Tami Johnson	203
Winnipeg Foundation	3,895
Sandy Lake Area Fund	
Earl Symonds	12,272
Irene Thomas	40
Lou VanMulligan	25
Lorin Shindruk	50
Marcia Shurwell	60
Ross Shindruk	100
Rystephanuk Reunion	1,680
Stella Shindruk	50
Sunrise Credit Union	2,000
Suzanne Isaacson	40
Tim & Dorothy Maluk	100
Other Donations	
Beta Sigma Phi	500
Class of KCI '77	522
Class of KCI '97	876
Community Foundation of Canada	9,750
Endowment Manitoba	150

The Killarney Foundation Inc.
Notes to the Financial Statements
For the year ended December 31, 2017

10. Endowment contributions *(Continued from previous page)*

In Memory of Bachewich Family	40
In Memory of Bert Campbell	1,505
In Memory of Keith Heming	3,000
Irene Wild	40,097
Janet Heming	10,000
Killarney & Area Donor's Choice	2,911
Killarney MSOS Senior Games	3,200
Killarney Pharmacy Ltd.	200
Anonymous	1,707
Marie Nelson	25
MWM Environmental	321
MB All Charities	54
Municipality of Killarney - Turtle Mountain	240
Peter & Dorenen Terekoff	1,000
Rural Municipality of Argyle	2,440
Telus	100
Winnipeg Foundation	18,919
Total 2017 Donations	131,916
Total contributions to December 31, 2017	6,560,787
Income capitalized to specific funds in 2017	2,273
Income capitalized to specific funds prior to 2017	171,203
Net realized capital losses in 2017	(453,633)
Net realized capital gains prior to 2017	861,617
Capital gains converted to distributable income for granting	(97,757)
Total income capitalized and capital gains	483,703
Total Endowments	\$7,044,490

10. Endowment contributions *(Continued from previous page)*

The following funds have been established for the specific purposes indicated. These are maintained in the Designated Endowment Fund investment account.

In 1994, an Administrative Endowment Fund was created in order to provide for future administrative expenses. To date, \$174,447 (2016 - \$174,447) has been allocated to this fund.

In 1999, the Directors passed a motion to capitalize the interest earned on the High School Scholarship Fund and any further donations made to the fund until the fund contains the sum of \$20,000. In 2017, \$2,273 (2016 - \$1,551) in interest was capitalized to the High School Fund. To date, \$15,462 (2016 - \$13,188) has been allocated to this fund.

Under a 1999 written donor direction, any monies earned by the Willard and Margaret Clements Scholarship Fund but not distributed in the form of scholarships is to be capitalized in order to increase the original endowed value. To date, \$452,112 (2016 - \$452,112) has been allocated to this fund.

Under a 2000 written donor direction, any monies earned by the Keith Heming & Family Scholarship Fund but not distributed in the form of scholarships is to be capitalized in order to increase the original endowed value to a maximum of \$100,000. To date, \$80,477 (2016 - \$80,477) has been allocated to this fund.

Under a 2010 written donor direction, any monies earned by the John Arthur Ross Memorial Bursary Fund but not distributed in the form of scholarships is to be capitalized in order to increase the original endowed value. To date, \$5,530 (2016 - \$5,530) has been allocated to this fund.

In 2007, a fund was established with the Winnipeg Foundation to participate in the Province of Manitoba bursary initiative program. To date, \$45,298 (2016 - \$45,298) has been contributed.

11. Directors

As at December 31, 2017 the members of the Board of Directors of the Foundation were as follows:

Richard Pauls - Chairperson
Mike Bellew - Director
Laurie Campbell - Director
Ron Chapman - Director
Lori Cuvelier - Director
Wayne Nichol - Director
Janice Arlene Smith - Director

Jackie Mitchell - Treasurer
Shelley Vandenberghe - Secretary