

Financial Statements

Toronto Community Foundation

March 31, 2008

AUDITORS' REPORT

To the Members of the
Toronto Community Foundation

We have audited the statement of financial position of the **Toronto Community Foundation** as at March 31, 2008 and the statement of revenue and expenses and changes in fund balances for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
May 23, 2008.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto Community Foundation

STATEMENT OF FINANCIAL POSITION

As at March 31

| | 2008 | 2007 |
|---|----------------|------------|
| | \$ | [000's] \$ |
| ASSETS | | |
| Cash and cash equivalents | 9,488 | 12,222 |
| Investments, at market value <i>[note 3]</i> | 151,380 | 195,930 |
| Donated assets <i>[note 5]</i> | 391 | 711 |
| Other | 210 | 332 |
| | 161,469 | 209,195 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Grants and accounts payable | 1,064 | 541 |
| Funds held on behalf of other third parties <i>[note 4]</i> | 51,117 | 90,052 |
| Total liabilities | 52,181 | 90,593 |
| Fund balances | | |
| Endowment Fund <i>[note 6]</i> | 99,701 | 104,881 |
| Restricted Fund <i>[note 7]</i> | 9,142 | 13,382 |
| Operating Fund | 445 | 339 |
| Total fund balances | 109,288 | 118,602 |
| | 161,469 | 209,195 |

See accompanying notes

On behalf of the Board:

Director

Director



Toronto Community Foundation

STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES

Year ended March 31

| | <u>Endowment Fund</u> | | <u>Restricted Fund</u> | | <u>Operating Fund</u> | | <u>Total</u> | |
|--|-----------------------|----------------|------------------------|---------------|-----------------------|--------------|----------------|----------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| | \$ [000's] | \$ | \$ [000's] | \$ | \$ [000's] | \$ | \$ [000's] | \$ |
| Revenue | | | | | | | | |
| Donations <i>[note 10]</i> | 2,150 | 3,942 | 9,487 | 37,215 | 46 | 836 | 11,683 | 41,993 |
| Investment income (loss) <i>[note 6]</i> | (1,228) | 367 | (1,704) | 4,416 | 399 | 1,810 | (2,533) | 6,593 |
| Other | — | — | — | — | 544 | 564 | 544 | 564 |
| | 922 | 4,309 | 7,783 | 41,631 | 989 | 3,210 | 9,694 | 49,150 |
| Expenses | | | | | | | | |
| Administrative | — | — | — | — | 1,751 | 2,577 | 1,751 | 2,577 |
| Community program <i>[note 11]</i> | — | — | 5,100 | 1,017 | 439 | 420 | 5,539 | 1,437 |
| Investment management fees | — | — | — | — | 672 | 610 | 672 | 610 |
| Loss on sale and write-down of donated assets <i>[note 5]</i> | — | — | 155 | 73 | — | — | 155 | 73 |
| | — | — | 5,255 | 1,090 | 2,862 | 3,607 | 8,117 | 4,697 |
| Excess (deficiency) of revenue over expenses before grants and transfers | 922 | 4,309 | 2,528 | 40,541 | (1,873) | (397) | 1,577 | 44,453 |
| Grants <i>[note 7]</i> | — | — | 9,341 | 7,832 | 13 | 33 | 9,354 | 7,865 |
| Transfer to another charity <i>[note 6[g]]</i> | 1,537 | — | — | — | — | — | 1,537 | — |
| Excess (deficiency) of revenue over expenses for the year | (615) | 4,309 | (6,813) | 32,709 | (1,886) | (430) | (9,314) | 36,588 |
| Inter-fund transfers <i>[note 8]</i> | (4,565) | 27,417 | 2,573 | (27,847) | 1,992 | 430 | — | — |
| Fund balances, beginning of year | 104,881 | 73,155 | 13,382 | 8,520 | 339 | 339 | 118,602 | 82,014 |
| Fund balances, end of year | 99,701 | 104,881 | 9,142 | 13,382 | 445 | 339 | 109,288 | 118,602 |

See accompanying notes



NOTES TO FINANCIAL STATEMENTS

March 31, 2008

1. PURPOSE OF THE FOUNDATION

The Toronto Community Foundation [the "Foundation"] is incorporated without share capital under the laws of Ontario. The objectives of the Foundation are generally to attract and grow permanent funds and, from the earnings of these funds, to provide grants for charitable purposes primarily, but not exclusively, in the Toronto area.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles. The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they are provided.

For financial reporting purposes, the accounts have been classified into the following funds:

[a] Endowment Fund

The Endowment Fund comprises the resources that are required by the donor to be maintained by the Foundation on a permanent basis. In addition, the Board of Directors [the "Board"] has a policy to transfer certain donations to the Endowment Fund where there is no current intention of making the original donation available for grants.

[b] Restricted Fund

The Restricted Fund comprises the resources that are to be used for specific purposes as specified by the donor or project funder.



NOTES TO FINANCIAL STATEMENTS

March 31, 2008

[c] Operating Fund

The Operating Fund comprises the unrestricted resources available for immediate purposes. The use of these funds is at the discretion of the Foundation's Board.

Revenue recognition

Donor-restricted contributions, where the donor has required the principal to be held in perpetuity, are recognized as revenue in the Endowment Fund. Other donor-restricted contributions are recognized as revenue in the Restricted Fund or the Operating Fund, depending on the nature of the restriction. Unrestricted contributions are recognized as revenue in the Operating Fund. Contributions are recognized as revenue when received.

Investments and investment income (loss)

Publicly traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded as revenue in the statement of revenue and expenses and changes in fund balances.

In any particular year, if there is an investment loss, the loss is funded by accumulated reinvested income or capital in the Endowment Fund. This amount is expected to be recovered by future net investment income.

Investment income (loss) is recorded as follows:

Operating Fund

- Income earned on resources of the Endowment and Restricted Funds available to cover investment management fees and other operating expenses;
- Income (loss) on assets held in the Operating Fund; and
- Income earned on flow-through funds. Flow-through funds, which are included in the Restricted Fund, are contributions which are distributed within two fiscal years from the date of receipt by the Foundation as specified by the donors.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Restricted Fund

- Income (losses) on resources of the Endowment Fund available for granting purposes; and
- Income (losses) on resources of the Restricted Fund not recorded in the Operating Fund.

Endowment Fund

- Income which the donor has stipulated be added to principal; and
- Losses incurred on resources of the Endowment Fund.

Grants

Grants are recorded when authorized for payment by the Foundation's Board.

Contributed goods and services

Volunteers contribute a substantial number of hours each year to assist the Foundation in carrying out its activities. Because of the difficulty in determining fair value, contributed goods and services are not recognized in the financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, units in a money market fund and short-term deposits with a term to maturity of less than 90 days at date of purchase.

Change in accounting policies

Effective April 1, 2007, the Foundation adopted the recommendations of CICA 3855: Financial Instruments – Recognition and Measurement and CICA 3861: Financial Instruments – Disclosure and Presentation. CICA 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. As required by CICA 3855 and consistent with the accounting policy for investments used to prepare the prior year's financial statements, investments continue to be presented at fair value. As permitted by CICA 3855, the Foundation's other financial assets and liabilities continue to be presented at amortized cost which approximates fair value.

The adoption of CICA 3855 and 3861 did not have a significant impact on the financial statements in current or prior years.



NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Future accounting policy changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new accounting standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

3. INVESTMENTS

[a] The Foundation manages a significant portion of its investments in a pool that invests in pooled funds managed by external investment managers. Investment income earned on investments held by the Foundation pool is allocated to funds based on monthly market values. Other investments are held for certain endowed and restricted funds.

Toronto Community Foundation**NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

[b] Investments, at market value, consist of the following:

| | <u>2008</u> | | <u>2007</u> | |
|--|----------------|------------|-------------|-----|
| | \$ | % | \$ | % |
| | [000's] | | [000's] | |
| Toronto Community Foundation Investment Pool | | | | |
| Cash | 816 | 1 | — | — |
| Fixed income | 50,139 | 36 | 68,715 | 38 |
| Canadian equities | 31,485 | 23 | 45,677 | 25 |
| US equities | 23,709 | 17 | 18,947 | 11 |
| Other foreign equities | 29,801 | 22 | 45,517 | 25 |
| Hedge fund | 1,697 | 1 | 2,434 | 1 |
| | 137,647 | 100 | 181,290 | 100 |
| Managed investments held for certain endowed and restricted funds | | | | |
| Cash | 925 | 7 | 5,198 | 36 |
| Fixed income | 5,142 | 37 | 3,551 | 24 |
| Canadian equities | 5,460 | 40 | 2,673 | 18 |
| Foreign equities | 2,087 | 15 | 2,516 | 17 |
| Other pooled funds | 119 | 1 | 702 | 5 |
| | 13,733 | 100 | 14,640 | 100 |
| | 151,380 | | 195,930 | |

[c] The decrease in value of the Foundation Investment Pool in 2008 is related to the transfer of United Way Toronto's interest in this Pool to a separate account. The Foundation acts as Trustee for these investments which, as at March 31, 2008, amounted to \$60,400,603 [note 4].

[d] The hedge fund investment is not publicly traded and is valued based on a recent offer to purchase units of this Fund.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

4. FUNDS HELD ON BEHALF OF OTHER THIRD PARTIES

[a] Funds held on behalf of other third parties represent the market value of investments in the name of the Foundation invested for the following organizations:

| | 2008 | | 2007 |
|--|---------------|---------|---------------|
| | \$ | [000's] | \$ |
| Niagara Community Foundation | 9,509 | | 5,156 |
| Historica Foundation of Canada | 5,811 | | 4,504 |
| Haynes-Connell Foundation | 5,688 | | 5,978 |
| Helen McCrea Peacock Foundation | 4,635 | | 5,003 |
| Ontario Society for the Prevention of Cruelty to Animals | 3,901 | | — |
| Campbellford/Seymour Municipal Foundation | 3,521 | | 3,911 |
| Mississauga Community Foundation | 3,496 | | 3,324 |
| Campbellford/Seymour Community Foundation | 3,452 | | 3,753 |
| George Brown College Foundation | 1,983 | | — |
| Graham Munro Charitable Foundation | 1,940 | | 2,031 |
| United Way of St. Catharines and District | 1,715 | | 1,772 |
| Imagine Canada | 1,542 | | 1,706 |
| Community Foundation of Durham Region | 1,272 | | 1,226 |
| Huronian Communities Foundation | 1,016 | | 953 |
| Napanee District Community Foundation | 659 | | 596 |
| Hope for Children Foundation | 539 | | 563 |
| Lawrence Heights Community Health Centre Fund | 438 | | — |
| United Way Toronto [note 4[c]] | — | | 49,576 |
| | 51,117 | | 90,052 |

[b] The receipts and disbursement of these funds are not reflected in the statement of revenue and expenses and changes in fund balances.

[c] In June 2007, a separate account in the name of the United Way Toronto was established to hold investments, which had been previously held in the Foundation account. The Foundation acts as trustee for these investments which, as at March 31, 2008, amounted to \$60,400,603.

5. DONATED ASSETS

In fiscal 2008 and 2007, certain items included in donated assets were sold for a loss. Further, the value of the items on hand at March 31, 2008 was written down to estimated net realizable value in Canadian dollars as at that date.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

The total loss on sale and write-down of donated assets of \$155,405 [2007 - \$73,033] has been recorded as an expense in the Restricted Fund. An amount equal to this expense has been transferred from the internally endowed portion of the Endowment Fund to cover this expense [note 8].

6. ENDOWMENT FUND

[a] The Endowment Fund consists of the following:

| | 2008 | | 2007 |
|---|---------------|---------|----------------|
| | \$ | [000's] | \$ |
| Community Funds | | | |
| Funds where grants are distributed at the discretion of the Foundation's Board | 6,928 | | 7,299 |
| Funds where grants are distributed for use in a field of interest at the discretion of the Foundation's Board | 8,108 | | 8,525 |
| Funds where grants have been designated for operations by the Foundation's Board | 2,519 | | 2,747 |
| Donor Advised Funds | | | |
| Funds where grants are distributed to charitable organizations designated by donors at the time the fund is established or advised annually by donors | 82,146 | | 86,310 |
| | 99,701 | | 104,881 |

[b] The restrictions on the Endowment Fund are as follows:

| | 2008 | | 2007 |
|--------------------|---------------|---------|----------------|
| | \$ | [000's] | \$ |
| Externally endowed | 41,875 | | 45,142 |
| Internally endowed | 57,826 | | 59,739 |
| | 99,701 | | 104,881 |

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

[c] The Foundation has a preservation of capital policy designed to protect the real value of the endowments by limiting the amount of income made available for spending [granting and operating costs] and requiring the reinvestment of income not made available. During the year, 4% [2007 - 4%] of the market value of most fund balances was made available for granting purposes. Further, an amount representing 1.5% - 2% [2007 - 1.5% - 2%] of the market value of fund balances was made available to cover investment management fees, and program and administrative expenses. In any particular year, should net investment income be insufficient to fund the amount to be made available for spending or the investment return is negative, the amount that is made available for spending is funded by the accumulated reinvested income in the Endowment Fund. However, for individual endowment funds without sufficient accumulated reinvested income, endowment capital is used in the current year. This amount is expected to be recovered by future net investment income.

[d] In 2008, there was an investment loss of \$3,199,696 on endowments. The amount related to the externally endowed portion of the Endowment Fund of \$1,227,924 was recorded as an investment loss in the Endowment Fund. The amount related to the internally endowed portion of the Endowment Fund of \$1,971,772 was recorded as an investment loss in the Restricted Fund and a transfer was recorded from the Endowment Fund to the Restricted Fund to cover this loss [note 8]. The amount available for granting purposes of \$3,940,909 was recorded as a transfer from the Endowment Fund to the Restricted Fund [note 8]. The amount made available to cover investment management fees, and program and administrative expenses of \$1,753,557 was recorded as a transfer to the Operating Fund [note 8].

In 2007, investment income on endowments of \$5,914,147 was recorded as follows: \$1,523,001 was allocated to the Operating Fund to cover investment management fees, and program and administrative expenses; \$3,007,787 made available for granting purposes was recorded as revenue of the Restricted Fund; and the remaining balance of \$1,383,359 was allocated for the preservation of capital and recorded as revenue in the Endowment Fund. Of the amount allocated for preservation of capital, \$367,138 related to the externally endowed portion of the Endowment Fund was recorded as investment income in the Endowment Fund. Capital preservation of \$1,016,221 related to the internally endowed portion of the Endowment Fund was recorded as investment income in the Restricted Fund and then transferred to the Endowment Fund [note 8].

[e] In accordance with the Board's policy, a transfer of \$3,801,396 [2007 - \$26,156,498] was recorded from the Restricted Fund to the internally endowed portion of the Endowment Fund related to donations where there is no current intention of making the original donation available for grants [note 8].

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

[f] The Board approved the transfer of \$152,542 [2007 - \$95,472], representing unspent investment income available for granting, from the Restricted Fund to the Endowment Fund. In addition, the Board approved grants totalling \$214,205 [2007 - \$430,063] from funds included in the Restricted Fund which are recorded as transfers to the Operating Fund. Further, the Board approved a transfer of \$853,050 from the internally endowed portion of the Endowment Fund to the Restricted Fund based on a donor direction.

[g] During the year, the Niagara Community Foundation ["NCF"] was appointed the successor trustee to an endowed fund held by the Foundation. The net assets of this fund, in the amount of \$1,537,498, were accordingly transferred to NCF.

7. RESTRICTED FUND

The Restricted Fund balance consists of the following amounts available for restricted purposes:

| | 2008 | | 2007 |
|--|--------------|---------|---------------|
| | \$ | [000's] | \$ |
| Amounts related to endowments available for grants | 604 | | 153 |
| Amounts available for operations | 465 | | 520 |
| Flow-through funds | 6,121 | | 7,291 |
| Unspent project funding | 1,952 | | 5,418 |
| | 9,142 | | 13,382 |

Grants were funded as follows:

| | 2008 | | 2007 |
|--|--------------|---------|--------------|
| | \$ | [000's] | \$ |
| Endowment Fund earnings available for granting | 2,556 | | 2,641 |
| Flow-through funds | 6,785 | | 5,187 |
| Special project funds | — | | 4 |
| | 9,341 | | 7,832 |

Toronto Community Foundation**NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

8. INTERFUND TRANSFERS

Inter-fund transfers consist of the following:

| | 2008 | | |
|---|---------------------------|----------------------------|---------------------------|
| | Endowment Fund | Restricted Fund | Operating Fund |
| | \$ | \$ | \$ |
| Available for granting <i>[note 6[d]]</i> | (3,941) | 3,941 | — |
| Investment loss for internally endowed funds <i>[note 6[d]]</i> | (1,972) | 1,972 | — |
| Administrative fees <i>[note 6[d]]</i> | (1,754) | (24) | 1,778 |
| Donations to be managed as endowments <i>[note 6[e]]</i> | 3,802 | (3,802) | — |
| Other <i>[note 6[f]]</i> | (700) | 486 | 214 |
| | (4,565) | 2,573 | 1,992 |

| | 2007 | | |
|---|---------------------------|----------------------------|---------------------------|
| | Endowment Fund | Restricted Fund | Operating Fund |
| | \$ | \$ | \$ |
| Capital preservation on internally endowed funds <i>[note 6[d]]</i> | 1,016 | (1,016) | — |
| Donations to be managed as endowments <i>[note 6[e]]</i> | 26,156 | (26,156) | — |
| Other | 245 | (675) | 430 |
| | 27,417 | (27,847) | 430 |

9. INTEREST IN LIFE INSURANCE POLICIES

The Foundation is the assignee and owner of life insurance policies totalling \$3,402,767 for both 2008 and 2007. No value related to these policies is included in these financial statements.

10. INTEREST IN IRREVOCABLE TRUST

The Foundation is a beneficiary of an irrevocable trust that will donate \$5,000,000 over a 10-year period ending in 2012. A donation of \$500,000 [2007 - \$500,000] has been included in Endowment Fund donations.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

11. COMMITMENT

Under the terms of a Memorandum of Understanding between the Foundation and the Toronto Transit Commission ["TTC"], the Foundation is committed to funding expenditures of up to 75% of the costs for the renaissance of the Museum Subway Station. As at March 31 2008, the total projected costs were estimated at \$4,870,000; 75% of this estimate amounts to \$3,652,500. Payments of \$2,984,000 have been made by the Foundation for work in progress to March 31, 2008.

12. STATEMENT OF CASH FLOWS

A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.

13. FINANCIAL INSTRUMENTS

The Foundation is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the Foundation has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

14. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 financial statements.

ERNST & YOUNG LLP

ey.com/ca