

Financial Statements

Toronto Community Foundation

March 31, 2009

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, 2009 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, 2009 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 20, 2009.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto Community Foundation

STATEMENT OF FINANCIAL POSITION

As at March 31

	2009	2008
	\$	[000's] \$
ASSETS		
Cash and cash equivalents	9,272	9,488
Investments, at market value <i>[note 3]</i>	129,494	151,380
Other assets <i>[note 5]</i>	596	601
	139,362	161,469
LIABILITIES AND FUND BALANCES		
Liabilities		
Grants and accounts payable	308	1,064
Funds held on behalf of third parties <i>[note 4]</i>	45,121	51,117
Total liabilities	45,429	52,181
Fund balances		
Endowment Fund <i>[note 6]</i>	84,576	99,701
Restricted Fund <i>[note 7]</i>	8,739	9,142
Operating Fund	618	445
Total fund balances	93,933	109,288
	139,362	161,469

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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$	\$ [000's]	\$
Revenue								
Donations	6,514	2,150	8,074	9,487	245	46	14,833	11,683
Investment income (loss) [note 6]	(8,298)	(1,228)	(9,903)	(1,859)	218	399	(17,983)	(2,688)
Other	—	—	—	—	570	544	570	544
	(1,784)	922	(1,829)	7,628	1,033	989	(2,580)	9,539
Expenses								
Administrative	—	—	—	—	1,654	1,751	1,654	1,751
Community program	—	—	1,834	5,100	420	439	2,254	5,539
Investment management fees	—	—	—	—	617	672	617	672
	—	—	1,834	5,100	2,691	2,862	4,525	7,962
Excess (deficiency) of revenue over expenses before grants and transfers	(1,784)	922	(3,663)	2,528	(1,658)	(1,873)	(7,105)	1,577
Grants [note 7]	—	—	8,250	9,341	—	13	8,250	9,354
Transfer to another charity [note 6[g]]	—	1,537	—	—	—	—	—	1,537
Deficiency of revenue over expenses for the year	(1,784)	(615)	(11,913)	(6,813)	(1,658)	(1,886)	(15,355)	(9,314)
Inter-fund transfers [note 8]	(13,341)	(4,565)	11,510	2,573	1,831	1,992	—	—
Fund balances, beginning of year	99,701	104,881	9,142	13,382	445	339	109,288	118,602
Fund balances, end of year	84,576	99,701	8,739	9,142	618	445	93,933	109,288

See accompanying notes

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

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.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

[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 in the statement of revenue and expenses and changes in fund balances.

In any year, should net investment income not be sufficient to fund the expenses including granting calculated in accordance with the Foundation's policy, an amount is transferred from the Endowment Fund to the Restricted and Operating Funds.

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 to be distributed as specified by the donors within two fiscal years from the date of receipt by the Foundation.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

Restricted Fund

- Income 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 that the donor agreements stipulated to be added to the principal.
- 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.

Use of estimates

The preparation of 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 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. Actual results could differ from those estimates.

Foreign currency translation

Foreign currency denominated monetary assets and liabilities have been translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Foreign currency denominated revenue and expenses are translated at the rates prevailing on the transaction date. Gains and losses on current monetary assets and liabilities resulting from translation of foreign currencies are recognized in the statement of revenue and expenses and changes in fund balances during the year in which they arise.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

Financial instruments

The Foundation has chosen to apply CICA 3861: Financial Instruments – Disclosure and Presentation in place of CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation.

Change in accounting policies

Effective April 1, 2008, the Foundation adopted the recommendations of CICA 1535: Capital Disclosures, which require the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the Foundation's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in note 12.

Future changes in accounting policies

The CICA has issued revisions to the 4400 series and certain other sections to amend or improve certain parts of the CICA Handbook that relate to not-for-profit organizations. With respect to presentation, these changes include making the disclosure of net assets invested in capital assets optional; making CICA 1540, Cash Flow Statements, applicable to not-for-profit organizations; and requiring the reporting of revenues and expenses on a gross basis in the statement of revenue and expenses and changes in fund balances unless not required by other guidance. A new section, CICA 4470, Disclosure of Allocated Expenses by Not-for-Profit Organizations, was included in the revisions which require certain disclosures when fundraising and general support expenses are allocated to other functions. These changes in accounting policies must be adopted by years beginning on or after January 1, 2009, with earlier adoption permitted. Management is assessing the impact of these revisions and the timing for their adoption. However, the impact will be limited to reclassification of figures in the financial statements and additional disclosures.

In February 2008, the AcSB amended CICA 1000, Financial Statement Concepts, to clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized on the balance sheet. The amendments are effective for financial statements beginning on or after October 1, 2009. The Foundation is examining its current approach to recognizing costs as assets and will implement these standards effective April 1, 2009 retroactively with restatement of the prior year. The impact of implementing these amendments on the Foundation's financial statements is currently not known.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

3. INVESTMENTS

[a] The Foundation holds a significant portion of its investments in a pool that invests in pooled funds managed by external investment managers. Investment income (loss) 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.

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

	2009		2008	
	\$	%	\$	%
	[000's]		[000's]	
Toronto Community Foundation Investment Pool				
Cash	2,559	2	816	1
Fixed income	50,010	43	50,139	36
Canadian equities	23,164	20	31,485	23
U.S. equities	18,712	16	23,709	17
Other foreign equities	21,363	18	29,801	22
Hedge fund	1,697	1	1,697	1
	117,505	100	137,647	100
Managed investments held for certain endowed and restricted funds				
Cash	938	8	925	7
Fixed income	5,801	48	5,142	37
Canadian equities	3,360	28	5,460	40
Foreign equities	1,323	11	2,087	15
Other pooled funds	567	5	119	1
	11,989	100	13,733	100
	129,494		151,380	

[c] There are no market quotes available to determine the fair value of the investment in the hedge fund. The estimate of fair value recorded in the accounts is subject to significant uncertainty. Management believes the estimate is a reasonable approximation given the limited information available with respect to the financial position of the fund. As more information becomes available and amounts are realized, adjustments may be required to the fair value.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

4. FUNDS HELD ON BEHALF OF THIRD PARTIES

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

	2009		2008
	\$	[000's]	\$
Niagara Community Foundation	8,098		9,509
Historica Foundation of Canada	4,698		5,811
Haynes-Connell Foundation	5,088		5,688
Helen McCrea Peacock Foundation	3,600		4,635
Ontario Society for the Prevention of Cruelty to Animals	3,138		3,901
Campbellford/Seymour Municipal Foundation	2,713		3,521
Mississauga Community Foundation	3,333		3,496
Campbellford/Seymour Community Foundation	2,658		3,452
Canadian Lyford Cay Foundation	2,143		—
George Brown College Foundation	2,141		1,983
Graham Munro Charitable Foundation	1,551		1,940
United Way of St. Catharines and District	1,392		1,715
Imagine Canada	1,239		1,542
Community Foundation of Durham Region	1,026		1,272
Huronian Communities Foundation	995		1,016
Napanee District Community Foundation	540		659
Hope for Children Foundation	416		539
New Heights Community Health Centre Fund	352		438
	45,121		51,117

[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, 2009, amounted to \$49,873,551 [2008 - \$60,400,603].

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

5. OTHER ASSETS

In fiscal 2008 and 2007, other assets included prepaid expenses, capital equipment, and donated assets intended to be sold.

The carrying value of donated assets intended to be sold included in other assets is \$442,989.

6. ENDOWMENT FUND

[a] The Endowment Fund consists of the following:

	2009	[000's]	2008
	\$		\$
Community funds			
Funds where grants are distributed at the discretion of the Foundation's Board	6,460		6,928
Funds where grants are distributed for use in a field of interest at the discretion of the Foundation's Board	6,357		8,108
Funds where grants have been designated for operations by the Foundation's Board	1,943		2,519
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	69,816		82,146
	84,576		99,701

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

	2009	[000's]	2008
	\$		\$
Externally endowed	37,633		41,875
Internally endowed	46,943		57,826
	84,576		99,701

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

- [c] The Foundation has a policy with the objective of protecting 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% [2008 - 4%] of the market value of most fund balances was made available for granting purposes. Further, an amount representing 1.5% - 2% [2008 - 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 year, should net investment income not be sufficient to fund the expenses including granting calculated in accordance with the Foundation's policy, an amount is transferred from the Endowment Fund to the Restricted and Operating Funds.
- [d] In 2009, there was an investment loss of \$18,135,419 on endowments. The amount related to the externally endowed portion of the Endowment Fund of \$8,298,396 was recorded as an investment loss in the Endowment Fund. The amount related to the internally endowed portion of the Endowment Fund of \$9,837,023 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 \$3,991,050 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 \$1,636,559 was recorded as a transfer to the Operating Fund [note 8].
- 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].
- [e] In accordance with the Board's policy, a transfer of \$1,796,879 [2008 - \$3,801,396] 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].

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

[f] The Board approved the transfer of \$277,143 [2008 - \$152,542], representing unspent amounts available for granting, from the Restricted Fund to the Endowment Fund. In addition, the Board approved grants totalling \$184,577 [2008 - \$214,205] from funds included in the Restricted Fund which are recorded as transfers to the Operating Fund. Further, the Board approved a transfer of \$50,000 from the Restricted Fund to the internally endowed portion of the Endowment Fund [2008 - \$853,050 from the internally endowed portion of the Endowment Fund to the Restricted Fund] based on a donor direction.

[g] During 2008, 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:

	2009		2008
	\$	[000's]	\$
Amounts available for grants related to endowments	1,710		604
Amounts available for operations	358		465
Flow-through funds	6,401		6,121
Unspent project funding	270		1,952
	8,739		9,142

Grants were funded as follows:

	2009		2008
	\$	[000's]	\$
Endowment Fund earnings available for granting	2,126		2,556
Flow-through funds	6,108		6,785
Special project funds	16		—
	8,250		9,341

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

8. INTER-FUND TRANSFERS

Inter-fund transfers consist of the following:

	2009		
	Endowment Fund \$	Restricted Fund \$	Operating Fund \$
Available for granting <i>[note 6[d]]</i>	(3,991)	3,991	—
Investment loss for internally endowed funds <i>[note 6[d]]</i>	(9,837)	9,837	—
Administrative fees <i>[note 6[d]]</i>	(1,636)	(10)	1,646
Donations to be managed as endowments <i>[note 6[e]]</i>	1,796	(1,796)	—
Other <i>[note 6[f]]</i>	327	(512)	185
	(13,341)	11,510	1,831

	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

9. INTEREST IN LIFE INSURANCE POLICIES

The Foundation is the assignee and owner of life insurance policies totalling \$3,527,767 [2008 - \$3,402,767]. No value related to these policies is included in these financial statements.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

10. 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.

11. 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.

12. CAPITAL MANAGEMENT

In managing capital, the Foundation focuses on liquid resources available for operations. The Foundation's objective is to have sufficient liquid resources to continue operating despite adverse financial events, and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2009, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

13. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2009 financial statements.

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 135,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit ey.com/ca.

ey.com/ca

© 2009 Ernst & Young LLP. All rights reserved.
A member firm of Ernst & Young Global Limited.

