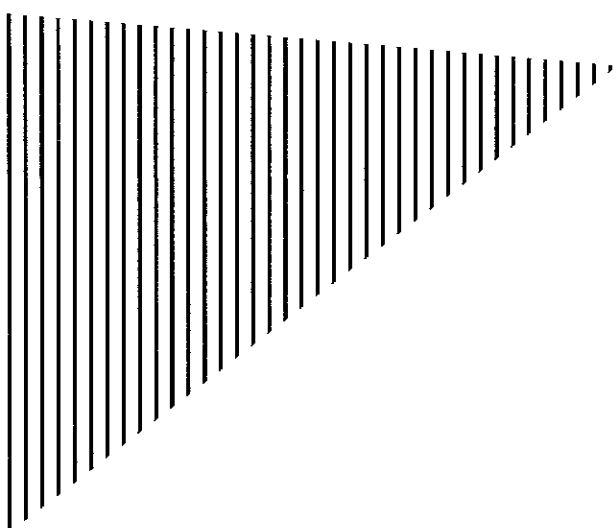


Financial Statements

Toronto Community Foundation
March 31, 2010



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, 2010 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, 2010 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 18, 2010.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto Community Foundation

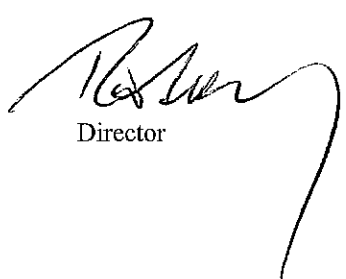

STATEMENT OF FINANCIAL POSITION

As at March 31

	2010 \$	[000's]	2009 \$
ASSETS			
Cash and cash equivalents	1,710		7,832
Short-term investments <i>[note 3]</i>	4,915		1,440
Investments, at market value <i>[note 3]</i>	163,619		129,494
Other assets <i>[note 5]</i>	396		596
	170,640		139,362
LIABILITIES AND FUND BALANCES			
Liabilities			
Grants and accounts payable	349		308
Funds held on behalf of third parties <i>[note 4]</i>	55,280		45,121
Total liabilities	55,629		45,429
Fund balances			
Endowment Fund <i>[note 6]</i>	105,552		84,576
Restricted Fund <i>[note 7]</i>	8,899		8,739
Operating Fund	560		618
Total fund balances	115,011		93,933
	170,640		139,362

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

	Endowment Fund		Restricted Fund		Operating Fund		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
	[000's]	[000's]	[000's]	[000's]	[000's]	[000's]	[000's]	[000's]
REVENUE								
Donations	1,770	6,514	10,882	8,074	95	245	12,747	14,833
Investment income (loss) [note 6[d]]	5,586	(8,298)	11,664	(9,903)	26	218	17,276	(17,983)
Administrative fees [note 6[e]]	(1,629)	—	(95)	—	2,315	518	591	518
Other	—	—	—	—	66	52	66	52
	5,727	(1,784)	22,451	(1,829)	2,502	1,033	30,680	(2,580)
EXPENSES								
Administrative	—	—	47	—	1,673	1,654	1,720	1,654
Community program	—	—	290	1,834	454	420	744	2,254
Investment management fees	—	—	—	—	628	617	628	617
	—	—	337	1,834	2,755	2,691	3,092	4,525
Excess (deficiency) of revenue over expenses before grants and transfers	5,727	(1,784)	22,114	(3,663)	(253)	(1,658)	27,588	(7,105)
Grants [note 7]	—	—	6,510	8,250	—	—	6,510	8,250
Excess (deficiency) of revenue over expenses for the year	5,727	(1,784)	15,604	(11,913)	(253)	(1,658)	21,078	(15,355)
Interfund transfers [note 8]	15,249	(13,341)	(15,444)	11,510	195	1,831	—	—
Fund balances, beginning of year	84,576	99,701	8,739	9,142	618	445	93,933	109,288
Fund balances, end of year	105,552	84,576	8,899	8,739	560	618	115,011	93,933

See accompanying notes

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

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.

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, 2010

[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 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 (loss) on assets held in the Operating Fund; and
- Income earned on the investment of 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, 2010

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 donor agreements stipulate 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 90 days or less 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.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

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.

Financial instruments

The Foundation has chosen to apply the Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3861: Financial Instruments - Disclosure and Presentation in place of CICA 3862: Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation.

3. INVESTMENTS

- [a] Short-term investments consist of fixed income securities with a weighted average term to maturity of 140 days and a weighted average yield of 0.4%.
- [b] The Foundation holds a significant portion of its investments in a pool that invests in individual pooled funds managed by external investment managers. Investment income (loss) earned on investments held by the Foundation in this 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, 2010

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

	2010		2009	
	\$	%	\$	%
	[000's]		[000's]	
Toronto Community Foundation Investment Pool				
Cash	1,628	1	2,559	2
Fixed income	47,729	34	50,010	43
Canadian equities	38,964	28	23,164	20
U.S. equities	20,409	14	18,712	16
Other foreign equities	30,951	22	21,363	18
Hedge fund	1,697	1	1,697	1
	141,378	100	117,505	100
Managed investments held for certain endowed and restricted funds				
Cash	1,668	8	938	8
Fixed income	7,822	35	5,801	48
Canadian equities	7,138	32	3,360	28
Foreign equities	4,931	22	1,323	11
Other pooled funds	682	3	567	5
	22,241	100	11,989	100
	163,619		129,494	

[d] 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 hedge 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, 2010

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:

	2010	2009
	\$	[000's] \$
Niagara Community Foundation	9,925	8,098
Boys & Girls Clubs of Canada	6,163	—
Haynes-Connell Foundation	5,277	5,088
Mississauga Community Foundation	4,150	3,333
Helen McCrea Peacock Foundation	4,080	3,600
Ontario Society for the Prevention of Cruelty to Animals	3,712	3,138
George Brown College Foundation	3,211	2,141
Campbellford/Seymour Municipal Foundation	3,092	2,713
Campbellford/Seymour Community Foundation	3,031	2,658
Napanee District Community Foundation	2,063	540
Graham Munro Charitable Foundation	1,824	1,551
Canadian Lyford Cay Foundation	1,758	2,143
United Way of St. Catharines and District	1,656	1,392
Community Foundation of Durham Region	1,366	1,026
Huronian Communities Foundation	1,271	995
Imagine Canada	1,156	1,239
Amici Camping Charity	565	—
Hope for Children Foundation	473	416
New Heights Community Health Centre Fund	416	352
The Heritage Project/Reflets du Patrimoine	91	—
Historica Foundation of Canada	—	4,698
	55,280	45,121

[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, 2010, amounted to \$59,048,878 [2009 - \$49,873,551].

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

5. OTHER ASSETS

Other assets include prepaid expenses, capital equipment, and donated assets intended to be sold.

As at March 31, 2010, the carrying value of donated assets intended to be sold included in other assets is \$272,999 [2009 - \$442,989].

6. ENDOWMENT FUND

[a] The Endowment Fund consists of the following:

	2010		2009
	\$	[000's]	\$
Community funds			
Funds where grants are distributed at the discretion of the Foundation's Board	7,404		6,460
Funds where grants are distributed for use in a field of interest at the discretion of the Foundation's Board	9,161		6,357
Funds where grants have been designated for operations by the Foundation's Board	2,860		1,943
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	86,127		69,816
	105,552		84,576

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

	2010		2009
	\$	[000's]	\$
Externally endowed	44,391		37,633
Internally endowed	61,161		46,943
	105,552		84,576

[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, 3.5% [2009 -

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

4.0%] of the market value of most fund balances was made available for granting purposes. Further, an amount representing 1.5% - 2% [2009 - 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] During the year, \$16,089,226 of net investment income was earned on investments held for the Endowment Fund, of which \$11,901,986 of investment income was allocated for the preservation of capital. Of this amount, \$5,586,023 related to the externally endowed portion of the Endowment Fund was recorded as investment income in the Endowment Fund. An amount of \$6,315,963 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. The amount of investment income made available for granting purposes of \$4,187,240 was recorded as investment income of the Restricted Fund.

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].

- [e] During the year, the amount of \$1,724,242 made available from the investment income in the Restricted and Endowment Funds to cover administrative expenses was recorded as administrative fee income in the Operating Fund.

In 2009, the amount made available to cover administrative expenses of \$1,636,559 was recorded as a transfer from the Restricted and Endowment Funds to the Operating Fund [note 8].

- [f] In accordance with the Board's policy, a transfer of \$8,183,281 [2009 - \$1,796,879] 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, 2010

[g] The Board approved the transfer of \$84,265 [2009 - \$277,143], representing unspent amounts available for granting, from the Restricted Fund to the Endowment Fund. In addition, the Board approved grants totaling \$194,185 [2009 - \$184,577] from funds included in the Restricted Fund which are recorded as transfers to the Operating Fund.

7. RESTRICTED FUND

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

	2010		2009
	\$	[000's]	\$
Amounts available for grants related to endowments	886		1,710
Amounts available for operations	—		358
Flow-through funds	7,897		6,401
Unspent project funding	116		270
	8,899		8,739

Grants were funded as follows:

	2010		2009
	\$	[000's]	\$
Endowment Fund earnings available for granting	2,842		2,126
Flow-through funds	3,663		6,108
Special project funds	5		16
	6,510		8,250

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

8. INTERFUND TRANSFERS

Interfund transfers consist of the following:

	2010		
	Endowment Fund	Restricted Fund	Operating Fund
	\$	\$	\$
		[000's]	
Investment gain for internally endowed funds <i>[note 6[d]]</i>	6,316	(6,316)	—
Donations to be managed as endowments <i>[note 6[f]]</i>	8,183	(8,183)	—
Unspent amounts available to grant	886	(886)	—
Other <i>[note 6[g]]</i>	(136)	(59)	195
	15,249	(15,444)	195

	2009		
	Endowment Fund	Restricted Fund	Operating Fund
	\$	\$	\$
		[000's]	
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[e]]</i>	(1,636)	(10)	1,646
Donations to be managed as endowments <i>[note 6[f]]</i>	1,796	(1,796)	—
Other <i>[note 6[g]]</i>	327	(512)	185
	(13,341)	11,510	1,831

9. INTEREST IN LIFE INSURANCE POLICIES

The Foundation is the assignee and owner of life insurance policies with a cash surrender value of \$581,148 [2009 - \$536,583]. No value related to these policies is included in these financial statements.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

10. COMMITMENTS

The Foundation is required to make future annual minimum lease payments for its premises as follows:

	\$
2011	47,668
2012	51,455
2013	22,095
	<u>121,218</u>

11. 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.

12. 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.

13. 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, 2010, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

14. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2010 financial statements.

