

Financial Statements

**Toronto Community Foundation**

March 31, 2011

# INDEPENDENT AUDITORS' REPORT

To the Members of the  
**Toronto Community Foundation**

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the **Toronto Community Foundation**, which comprise the statement of financial position as at March 31, 2011 and the statement of revenue and expenses and changes in fund balances 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 generally accepted accounting principles, 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 auditors consider 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 **Toronto Community Foundation** as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
June 21, 2011.

*Ernst + Young LLP*

Chartered Accountants  
Licensed Public Accountants

## Toronto Community Foundation

### STATEMENT OF FINANCIAL POSITION

As at March 31

	2011	2010
	\$	\$
	[000's]	
<b>ASSETS</b>		
Cash and cash equivalents	956	1,710
Short-term investments <i>[note 3[b]]</i>	7,279	4,915
Investments, at market value <i>[note 3[c]]</i>	185,781	163,619
Other assets <i>[note 5]</i>	451	396
	<b>194,467</b>	<b>170,640</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Grants and accounts payable	560	349
Funds held on behalf of third parties <i>[note 4]</i>	62,043	55,280
<b>Total liabilities</b>	<b>62,603</b>	<b>55,629</b>
<b>Fund balances</b>		
Endowment Fund <i>[note 6]</i>	113,107	105,552
Restricted Fund <i>[note 7]</i>	17,378	8,899
Operating Fund	1,379	560
<b>Total fund balances</b>	<b>131,864</b>	<b>115,011</b>
	<b>194,467</b>	<b>170,640</b>

*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 Term Fund		Restricted Flowthrough Fund		Total Restricted Fund		Operating Fund		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	[000's]											
<b>Revenue</b>												
Donations	2,364	1,770	7,855	7,723	3,715	3,159	11,570	10,882	1,263	95	15,197	12,747
Investment income <i>[note 8[a]]</i>	3,263	4,759	7,271	12,298	1,058	354	8,329	12,652	269	26	11,861	17,437
Administrative fees	(876)	(779)	(901)	(850)	(194)	(95)	(1,095)	(945)	2,537	2,315	566	591
Other income	—	—	—	—	238	—	238	—	31	66	269	66
	4,751	5,750	14,225	19,171	4,817	3,418	19,042	22,589	4,100	2,502	27,893	30,841
<b>Expenses</b>												
General and administrative <i>[note 9]</i>	—	—	5	47	—	—	5	47	1,950	1,673	1,955	1,720
Community program	—	—	—	—	77	290	77	290	704	454	781	744
External investment management and custody fees	26	23	82	133	62	5	144	138	625	628	795	789
	26	23	87	180	139	295	226	475	3,279	2,755	3,531	3,253
Grants <i>[note 7[b]]</i>	—	—	2,232	2,852	5,277	3,658	7,509	6,510	—	—	7,509	6,510
Excess (deficiency) of revenue over expenses and grants for the year	4,725	5,727	11,906	16,139	(599)	(535)	11,307	15,604	821	(253)	16,853	21,078
Fund balances beginning of year	105,552	84,576	886	1,710	8,013	7,029	8,899	8,739	560	618	115,011	93,933
Transfers between funds <i>[note 8[b]]</i>	2,830	15,249	(11,732)	(16,963)	8,904	1,519	(2,828)	(15,444)	(2)	195	—	—
<b>Fund balances end of year</b>	<b>113,107</b>	<b>105,552</b>	<b>1,060</b>	<b>886</b>	<b>16,318</b>	<b>8,013</b>	<b>17,378</b>	<b>8,899</b>	<b>1,379</b>	<b>560</b>	<b>131,864</b>	<b>115,011</b>

See accompanying notes

## Toronto Community Foundation

# NOTES TO FINANCIAL STATEMENTS

March 31, 2011

## 1. PURPOSE OF THE FOUNDATION

The Toronto Community Foundation [the "Foundation"] is incorporated without share capital under the laws of Ontario. The objective of the Foundation is to connect philanthropy with community needs and opportunities to make Toronto the best place to live, work, learn, and grow.

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. Thus, all donations received by the Foundation are classified into Funds, according to the restrictions placed on them by the donors or by the Board of Directors [the "Board"] of the Foundation. 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

Endowment Funds are established for gifts where the capital is required to remain at the Foundation in perpetuity. The Endowment Fund is increased by the proportionate share of investment returns allocated to Endowment Fund capital, less amounts allocated to grants and administrative and investment fees. The Board also 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 [internally endowed Restricted Term funds].

## Toronto Community Foundation

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### **[b] Restricted Fund**

There are two types of Restricted Funds *[note 7]*. The first type is Funds where the capital may not be granted for a specified period of time, generally 10 years [Restricted Term Funds]. At the expiry of the restriction period, the capital may be granted according to the terms of the Fund. Restricted Term Funds are increased by the proportionate share of investment returns allocated to Restricted Fund capital, less grants and administrative and investment fees. In these financial statements, transactions related to Restricted Term Funds are shown in the Restricted Term Fund, and new donations and investment income not allocated to grants in any year are transferred to the Endowment Fund.

The second type of Restricted Funds is not restricted as to the timeframe in which capital may be spent [Restricted Flowthrough Funds]. It is generally expected that the Fund capital will be granted within two years of its donation, although these funds may be granted immediately, in whole or in part. In these financial statements, transactions related to Restricted Flowthrough Funds are shown in the Restricted Flowthrough Fund.

Amounts designated to various projects undertaken by the Foundation in partnership with third parties [unspent project funds] are also included in the Restricted Flowthrough Fund.

#### **[c] Operating Fund**

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

#### **Revenue recognition**

Contributions which the donor has required to be held in perpetuity are recognized as revenue in the Endowment Fund. Restricted contributions are recognized as revenue in the Restricted Fund. 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 closing 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.

## Toronto Community Foundation

# NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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.

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 into the Endowment Fund of income not made available. During the year, 3.5% [2010 - 3.5%] of the market value of most Fund balances was made available for granting purposes. Further, an amount representing 1.5% - 2.0% [2010 - 1.5% - 2.0%] 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 grants or expenses, an amount is transferred from the Endowment Fund to the Restricted and Operating Funds to cover them.

Investment income (loss) is recorded as follows:

### **Endowment Fund**

- Income that donor agreements stipulate be added to the principal; and
- Losses incurred on resources of the Endowment Fund.

### **Restricted Fund**

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

### **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 the investment of certain Flowthrough Funds.

### **Grants**

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

## **Toronto Community Foundation**

### **NOTES TO FINANCIAL STATEMENTS**

March 31, 2011

#### **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 the 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.

#### **Financial instruments**

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

#### **Future changes in accounting policies**

In November 2010, the Accounting Standards Board of the CICA issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. The Foundation is currently evaluating the impact of these standards.

## Toronto Community Foundation

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### 3. INVESTMENTS

- [a] The Foundation's objective for investments under its management is to generate a total return that achieves the granting objectives of the Foundation as set each year by its Board, recovers the cost of administering the funds, protects the purchasing power of the capital, and establishes a reserve for future market declines. The Foundation has adopted an active investment approach, whereby the investments referred to below are currently managed by five active managers and one index manager.

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 in this pool is allocated to Funds based on monthly market values. Certain endowed and restricted Funds are invested outside the Foundation's main investment pool.

- [b] Short-term investments consist of fixed income securities with a weighted average term to maturity of 181 days [2010 - 140 days] and a weighted average yield of 1.4% [2010 - 0.4%].
- [c] Total investments, at market value, which include third party funds held in pooled funds [note 4], consist of the following:

	2011		2010	
	\$	%	\$	%
	[000's]		[000's]	
Cash	2,360	1	3,296	2
Fixed income	64,058	34	55,551	34
Canadian equities	54,314	29	46,102	28
U.S. equities	25,649	14	20,408	12
Other foreign equities	36,352	20	36,019	22
Alternative investments	1,351	1	546	1
Hedge Fund [note 3[d]]	1,697	1	1,697	1
	<b>185,781</b>	<b>100</b>	<b>163,619</b>	<b>100</b>

- [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 reported value.

## Toronto Community Foundation

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### 4. THIRD PARTY FUNDS HELD IN POOLED INVESTMENTS

- [a] Asset balances held for third parties are included as investment assets of the Foundation, with an offsetting liability amount, as these funds may be withdrawn at any time. Funds of the following organizations are invested with the Foundation's funds in the main investment pool:

	2011	2010
	\$	[000's] \$
Niagara Community Foundation	11,715	9,925
Mississauga Community Foundation	7,278	4,150
Boys & Girls Clubs of Canada	6,553	6,163
George Brown College Foundation	5,234	3,211
Haynes-Connell Foundation	4,906	5,277
Helen McCrea Peacock Foundation	4,299	4,080
Ontario Society for the Prevention of Cruelty to Animals	4,080	3,712
Campbellford/Seymour Municipal Foundation	3,069	3,092
Campbellford/Seymour Community Foundation	2,977	3,031
Napanee District Community Foundation	2,257	2,063
United Way of St. Catharines and District	1,830	1,656
Canadian Lyford Cay Foundation	1,727	1,758
Huron Community Foundation	1,649	1,271
Community Foundation of Durham Region	1,564	1,366
Amici Camping Charity	655	565
Anonymous Fund	558	—
Hope for Children Foundation	526	473
Imagine Canada	478	1,156
Unison Health & Community Services Fund	456	416
Muskoka Community Foundation	232	—
Graham Munro Charitable Foundation	—	1,824
The Heritage Project/Reflets du Patrimoine	—	91
	<b>62,043</b>	<b>55,280</b>

- [b] The receipts and disbursements 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's account. The Foundation acts as trustee for these investments which, as at March 31, 2011, totalled \$61,836,308 [2010 - \$59,048,878].

## Toronto Community Foundation

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### 5. OTHER ASSETS

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

As at March 31, 2011, the carrying value of donated assets intended to be sold included in other assets is \$214,039 [2010 - \$272,999].

#### 6. ENDOWMENT FUND

[a] The Endowment Fund consists of the following:

	2011		2010
	\$	[000's]	\$
<b>Donor Advised Funds</b>			
Funds where grants are distributed to charitable organizations designated by donors at the time the Fund is established or advised annually by donors	87,166		86,127
<b>Community Funds</b>			
Funds where grants are distributed at the discretion of the Foundation's Board	8,160		7,404
Funds where grants are distributed for use in a field of interest at the discretion of the Foundation's Board	14,777		9,161
Funds where grants have been designated for operations by the Foundation's Board	3,004		2,860
	<b>113,107</b>		<b>105,552</b>

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

	2011		2010
	\$	[000's]	\$
Externally endowed in perpetuity	49,673		44,391
Internally endowed Restricted Term Funds	63,434		61,161
	<b>113,107</b>		<b>105,552</b>

## Toronto Community Foundation

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### 7. RESTRICTED FUND

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

	2011		2010
	\$	[000's]	\$
Unspent amounts available for grants attributable to externally endowed Funds	423		330
Unspent amounts available for grants attributable to Restricted Term Funds	637		556
Unspent Restricted Flowthrough Funds	15,929		7,897
Unspent project funding	389		116
<b>Total Restricted Fund balance</b>	<b>17,378</b>		<b>8,899</b>

[b] Grants were funded as follows:

	2011		2010
	\$	[000's]	\$
Grants from Endowment Fund earnings	2,232		2,852
Grants from Restricted Flowthrough Funds	5,272		3,653
Grants from project funds	5		5
	<b>7,509</b>		<b>6,510</b>

## Toronto Community Foundation

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### 8. TRANSFERS BETWEEN FUNDS

[a] The following summarizes the allocation of investment income according to the Foundation's investment policy:

	2011					
	Endowment Fund	Restricted Fund			Operating Fund	Total
		Term	Flowthrough	Total		
\$	\$	\$	\$	\$	\$	
	[000's]					
Allocation for granting	—	2,923	864	3,787	182	3,969
Allocation for capital preservation	2,387	3,447	—	3,447	—	5,834
Allocation for administrative fees	876	901	194	1,095	—	1,971
Allocation for operations	—	—	—	—	87	87
<b>Total investment income</b>	<b>3,263</b>	<b>7,271</b>	<b>1,058</b>	<b>8,329</b>	<b>269</b>	<b>11,861</b>

	2010					
	Endowment Fund	Restricted Fund			Operating Fund	Total
		Term	Flowthrough	Total		
\$	\$	\$	\$	\$	\$	
	[000's]					
Allocation for granting	—	2,756	259	3,015	—	3,015
Allocation for capital preservation	3,980	8,692	—	8,692	—	12,672
Allocation for administrative fees	779	850	95	945	—	1,724
Allocation for operations	—	—	—	—	26	26
<b>Total investment income</b>	<b>4,759</b>	<b>12,298</b>	<b>354</b>	<b>12,652</b>	<b>26</b>	<b>17,437</b>

[b] Interfund transfers consist of the following:

	2011				
	Endowment Fund	Restricted Fund			Operating Fund
		Term	Flowthrough	Total	
\$	\$	\$	\$	\$	
	[000's]				
Transfer of new donations to be managed as endowments	7,855	(7,855)	—	(7,855)	—
Transfer for investment income Internally Endowed Funds to be managed as restricted	3,447	(3,447)	—	(3,447)	—
Other transfers	(8,673)	—	8,673	8,673	—
	201	(430)	231	(199)	(2)
	<b>2,830</b>	<b>(11,732)</b>	<b>8,904</b>	<b>(2,828)</b>	<b>(2)</b>

## Toronto Community Foundation

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

	<b>2010</b>				
	<b>Endowment</b>	<b>Restricted Fund</b>		<b>Total</b>	<b>Operating</b>
	<b>Fund</b>	<b>Term</b>	<b>Flowthrough</b>	<b>Fund</b>	<b>Fund</b>
	\$	\$	\$	\$	\$
			[000's]		
Transfer of new donations to be managed as endowments	8,183	(8,183)	—	(8,183)	—
Transfer for investment income	8,692	(8,692)	—	(8,692)	—
Other transfers	(1,626)	(88)	1,519	1,431	195
	<b>15,249</b>	<b>(16,963)</b>	<b>1,519</b>	<b>(15,444)</b>	<b>195</b>

#### 9. GENERAL AND ADMINISTRATIVE EXPENSE DETAIL

	<b>2011</b>		<b>2010</b>
	\$	[000's]	\$
Salaries and wages	<b>1,061</b>		940
Consultants	<b>12</b>		35
Office	<b>318</b>		380
Marketing and advertising	<b>216</b>		26
Fundraising	<b>276</b>		283
Other	<b>72</b>		56
	<b>1,955</b>		<b>1,720</b>

#### 10. INTEREST IN LIFE INSURANCE POLICIES

The Foundation is the assignee and owner of life insurance policies with a cash surrender value of \$724,895 [2010 - \$581,148]. No value related to these policies is included in these financial statements.

#### 11. COMMITMENTS

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

	\$
2012	<b>51,455</b>
2013	<b>22,095</b>
	<b>73,550</b>

## **Toronto Community Foundation**

### **NOTES TO FINANCIAL STATEMENTS**

March 31, 2011

#### **12. CREDIT FACILITIES**

On March 31, 2011, the Foundation entered into a demand operating facility agreement with a commercial bank for a \$750,000 revolving demand loan bearing interest at the bank's prime lending rate plus 0.5%, against which the assets held for the Operating Fund balance have been pledged as security. As at March 31, 2011, no amounts had been drawn on this facility.

#### **13. 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.

#### **14. 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.

#### **15. 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, 2011, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

#### **16. COMPARATIVE FINANCIAL STATEMENTS**

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2011 financial statements.

