

Financial Statements

Toronto Community Foundation

March 31, 2012

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, 2012 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, 2012 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 20, 2012.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto Community Foundation

STATEMENT OF FINANCIAL POSITION

As at March 31

	2012	2011
	\$	\$
	[000's]	
ASSETS		
Cash and cash equivalents	537	956
Short-term investments <i>[note 3[b]]</i>	6,894	7,279
Investments, at market value <i>[note 3[c]]</i>	186,700	185,781
Other assets <i>[note 5]</i>	464	451
	194,595	194,467
LIABILITIES AND FUND BALANCES		
Liabilities		
Grants and accounts payable	782	560
Funds held on behalf of other parties <i>[note 4]</i>	69,495	62,043
Total liabilities	70,277	62,603
Fund balances		
Endowment Fund <i>[note 6]</i>	106,779	113,107
Restricted Fund <i>[note 7]</i>	16,191	17,378
Operating Fund	1,348	1,379
Total fund balances	124,318	131,864
	194,595	194,467

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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	[000's]											
Revenue												
Donations	2,256	2,364	3,950	7,855	2,515	3,715	6,465	11,570	176	1,263	8,897	15,197
Investment income <i>[note 8[a]]</i>	936	3,263	1,371	7,271	646	1,058	2,017	8,329	22	269	2,975	11,861
Administrative fees	(936)	(876)	(851)	(901)	(221)	(194)	(1,072)	(1,095)	2,616	2,537	608	566
Other income	—	—	—	—	—	238	—	238	—	31	—	269
	2,256	4,751	4,470	14,225	2,940	4,817	7,410	19,042	2,814	4,100	12,480	27,893
Expenses												
General and administrative <i>[note 9]</i>	—	—	2	5	—	—	2	5	1,785	1,950	1,787	1,955
Community program	—	—	—	—	242	77	242	77	681	704	923	781
External investment management and custody fees	41	26	178	82	62	62	240	144	633	625	914	795
	41	26	180	87	304	139	484	226	3,099	3,279	3,624	3,531
Excess (deficiency) of revenue over expenses before grants and transfers	2,215	4,725	4,290	14,138	2,636	4,678	6,926	18,816	(285)	821	8,856	24,362
Grants <i>[note 7[b]]</i>	—	—	2,077	2,232	5,070	5,277	7,147	7,509	—	—	7,147	7,509
Transfer to another charity <i>[note 6]</i>	—	—	9,255	—	—	—	9,255	—	—	—	9,255	—
Excess (deficiency) of revenue over expenses for the year	2,215	4,725	(7,042)	11,906	(2,434)	(599)	(9,476)	11,307	(285)	821	(7,546)	16,853
Fund balances beginning of year	113,107	105,552	1,060	886	16,318	8,013	17,378	8,899	1,379	560	131,864	115,011
Transfers between funds <i>[note 8[b]]</i>	(8,543)	2,830	7,539	(11,732)	750	8,904	8,289	(2,828)	254	(2)	—	—
Fund balances end of year	106,779	113,107	1,557	1,060	14,634	16,318	16,191	17,378	1,348	1,379	124,318	131,864

See accompanying notes

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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, 2012

[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 or administrative fees 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 capital of these Funds will be granted within one to two years of its donation, although it 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 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.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized capital 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% [2011 - 3.5%] of the market value of most Fund balances was made available for granting purposes. Further, an amount representing 1.5% - 2.0% [2011 - 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 Restricted Funds.

Grants

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

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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 and short-term deposits with a term to maturity of 90 days or less at the date of purchase. Cash and cash equivalents held for investing rather than liquidity purposes are classified as investments.

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 statement of financial position 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

The Accounting Standards Board of the CICA has issued Part III of the CICA Handbook that sets out accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012. The Foundation will adopt the new standards in fiscal 2013.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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 159 days [2011 - 181 days] and a weighted average yield of 1.5% [2011 - 1.4%].
- [c] Total investments, at market value, which include funds held on behalf of other parties invested by the Foundation [note 4], consist of the following:

	2012		2011	
	\$	%	\$	%
	[000's]		[000's]	
Cash	1,850	1	2,360	1
Fixed income	58,584	32	64,058	34
Canadian equities	54,923	29	54,314	29
U.S. equities	35,259	19	25,649	14
Other foreign equities	34,387	18	36,352	20
Alternative investments	—	—	1,351	1
Hedge Fund [note 3[d]]	1,697	1	1,697	1
	186,700	100	185,781	100

Investments in pooled funds have been allocated to the appropriate asset classes.

- [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, 2012

4. FUNDS HELD ON BEHALF OF OTHER PARTIES

[a] Asset balances held for other parties are included as investment assets of the Foundation, with an offsetting liability amount, as these funds may be withdrawn at any time.

[b] Funds of the following organizations are invested with the Foundation's funds:

	2012	2011
	\$	[000's] \$
Niagara Community Foundation	14,543	11,715
Mississauga Community Foundation	7,621	7,278
Boys & Girls Clubs of Canada	6,499	6,553
George Brown College Foundation	6,210	5,234
Ontario Society for the Prevention of Cruelty to Animals	5,150	4,080
Helen McCrea Peacock Foundation	4,174	4,299
Campbellford/Seymour Municipal Foundation	2,845	3,069
Campbellford/Seymour Community Foundation	2,734	2,977
Napanee District Community Foundation	2,224	2,257
Haynes-Connell Foundation	2,008	4,906
United Way of St. Catharines and District	1,869	1,830
Huron Community Foundation	1,799	1,649
Community Foundation of Durham Region	1,626	1,564
Canadian Lyford Cay Foundation	1,160	1,727
Amici Camping Charity	712	655
Metropolitan Community Church	592	558
Hope for Children Foundation	524	526
Unison Health & Community Services Fund	462	456
Imagine Canada	375	478
Muskoka Community Foundation	256	232
	63,383	62,043
Funds held for holders of IPIL shares [note 4[c]]	6,112	—
Total funds held on behalf of other parties	69,495	62,043

The receipts and disbursements of these Funds are not reflected in the statement of revenue and expenses and changes in fund balances.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

[c] By Court Order dated June 1, 2007, the Foundation was named the Residual Beneficiary of a trust which held the remaining assets of Investment Properties International Limited ["IPIL"]. Effective December 31, 2011, assets with a value of US\$6,000,000 were transferred to the Foundation, and the Foundation became entitled to all of the investment income realized from these assets. Until December 31, 2021, the Foundation is prohibited from using the capital for any reason other than to pay out legitimate claims of the remaining holders of shares in IPIL. On January 1, 2022, the Foundation will become entitled absolutely to all income and the capital that remains undistributed as at that date. The current value of these funds is \$6,112,047.

The income realized from these assets is recognized in the Operating Fund as revenue. Unrealized capital gains and losses, as well as expenses of these funds, are not reflected in the Foundation's statement of revenues and expenses and changes in fund balances.

[d] 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, 2012, totalled \$63,021,532 [2011 - \$61,836,308]. These investments are not recorded in these financial statements.

5. OTHER ASSETS

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

As at March 31, 2012, the carrying value of donated assets intended to be sold included in other assets is \$184,021 [2011 - \$214,039].

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

6. ENDOWMENT FUND

[a] The Endowment Fund consists of the following:

	2012		2011
	\$	[000's]	\$
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	83,504		87,166
Community Funds			
Funds where grants are distributed at the discretion of the Foundation's Board	12,299		8,160
Funds where grants are distributed for use in a field of interest at the discretion of the Foundation's Board	8,064		14,777
Funds where grants have been designated for operations by the Foundation's Board	2,912		3,004
	106,779		113,107

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

	2012		2011
	\$	[000's]	\$
Externally endowed in perpetuity	50,549		49,673
Internally endowed Restricted Term Funds	56,230		63,434
	106,779		113,107

[c] During the year, the William Birchall Foundation was appointed the successor trustee to an endowed fund held by the Foundation. The net assets of this fund, in the amount of \$9,255,150, were accordingly transferred to the William Birchall Foundation.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

7. RESTRICTED FUND

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

	2012		2011
	\$	[000's]	\$
Unspent amounts available for grants attributable to externally endowed Funds	512		423
Unspent amounts available for grants attributable to Restricted Term Funds	1,045		637
Unspent Restricted Flowthrough Funds	14,177		15,929
Unspent project funds	457		389
Total Restricted Fund balance	16,191		17,378

[b] Grants were funded as follows:

	2012		2011
	\$	[000's]	\$
Grants from Endowment Fund earnings	2,077		2,232
Grants from Restricted Flowthrough Funds	5,065		5,272
Grants from project funds	5		5
	7,147		7,509

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

8. TRANSFERS BETWEEN FUNDS

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

	2012					
	Endowment Fund	Restricted Fund			Operating Fund	Total
		Term	Flowthrough	Total		
\$	\$	\$	\$	\$	\$	
	[000's]					
Allocation for granting	—	520	425	945	10	955
Allocation for administrative fees	936	851	221	1,072	—	2,008
Allocation for operations	—	—	—	—	12	12
Total investment income	936	1,371	646	2,017	22	2,975

	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
Total investment income	3,263	7,271	1,058	8,329	269	11,861

[b] Interfund transfers consist of the following:

	2012				
	Endowment Fund	Restricted Fund			Operating Fund
		Term	Flowthrough	Total	
\$	\$	\$	\$	\$	
	[000's]				
Transfer of new donations to be managed as endowments	3,950	(3,950)	—	(3,950)	—
Transfer for granting	(2,576)	2,576	—	2,576	—
Transfer to another charity [note 6[c]]	(9,255)	9,255	—	9,255	—
Other transfers	(662)	(342)	750	408	254
	(8,543)	7,539	750	8,289	254

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

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

9. GENERAL AND ADMINISTRATIVE EXPENSE DETAIL

	2012	2011
	\$	\$
		[000's]
Salaries and wages	964	1,061
Consultants	1	12
Office	352	318
Marketing and advertising	33	216
Fundraising	357	276
Other	80	72
	1,787	1,955

10. INTEREST IN LIFE INSURANCE POLICIES

The Foundation is the assignee and owner of life insurance policies with a cash surrender value of \$713,791 [2011 - \$724,895]. No value related to these policies is included in these financial statements.

Toronto Community Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

11. COMMITMENTS

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

	\$
2013	57,450
2014	61,713
2015	63,607
2016	26,832
	<hr/> 209,602

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, 2012, 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, 2012, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

