

**THE GUELPH COMMUNITY
FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

To the members of: The Guelph Community Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The Guelph Community Foundation, which comprise the statements of financial position as at December 31, 2011 and the statements of operations and changes in net assets and cash flows 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.

Auditor's 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 auditor's 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 auditor considers 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Guelph Community Foundation as at December 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.

Guelph, Ontario
April 19, 2012

Chartered Accountant
Licensed Public Accountant

THE GUELPH COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011

	Operating Fund	Endowed Fund	Non-Endowed Fund	2011	2010
ASSETS					
CURRENT					
Cash and cash equivalents	\$ 42,203	\$ 219,024	\$ 106,768	\$ 367,995	\$ 380,008
HST recoverable	5,092	0	0	5,092	5,593
Interfund loans (note 2)	13,755	(25,691)	11,936	0	0
	<u>61,050</u>	<u>193,333</u>	<u>118,704</u>	<u>373,087</u>	<u>385,601</u>
INVESTMENTS (note 4)	0	6,619,017	735,120	7,354,137	6,556,742
FUNDS HELD FOR					
OTHERS (note 5)	0	2,033,525	0	2,033,525	1,894,018
CAPITAL (note 3)	589	0	0	589	333
	<u>\$ 61,639</u>	<u>\$ 8,845,875</u>	<u>\$ 853,824</u>	<u>\$ 9,761,338</u>	<u>\$ 8,836,694</u>


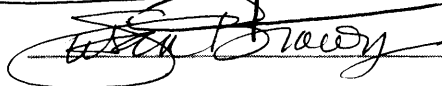
LIABILITIES

CURRENT					
Accounts payable and accrued liabilities	\$ 8,019	\$ 0	\$ 0	\$ 8,019	\$ 5,864
Deferred revenue	0	0	0	0	33,062
	<u>8,019</u>	<u>0</u>	<u>0</u>	<u>8,019</u>	<u>38,926</u>
FUNDS HELD FOR					
OTHERS (note 5)	0	2,033,525	0	2,033,525	1,894,018
Total Liabilities	<u>8,019</u>	<u>2,033,525</u>	<u>0</u>	<u>2,041,544</u>	<u>1,932,944</u>

NET ASSETS

RESTRICTED	0	6,812,350	853,824	7,666,174	6,889,062
UNRESTRICTED	53,620	0	0	53,620	14,688
	<u>53,620</u>	<u>6,812,350</u>	<u>853,824</u>	<u>7,719,794</u>	<u>6,903,750</u>
	<u>\$ 61,639</u>	<u>\$ 8,845,875</u>	<u>\$ 853,824</u>	<u>\$ 9,761,338</u>	<u>\$ 8,836,694</u>

APPROVED ON BEHALF OF THE BOARD

Director

Director

THE GUELPH COMMUNITY FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Operating Fund	Endowed Fund	Non-Endowed Fund	2011	2010
REVENUE					
Donations	\$ 20,316	\$ 406,677	\$ 958,811	\$ 1,385,804	\$ 1,591,357
Grants	35,308	0	0	35,308	6,238
Fundraising income	0	0	0	0	7,750
GST/HST rebate	7,216	0	0	7,216	3,126
Interest and dividends	5,008	242,075	0	247,083	130,665
Realized (loss) gain on sale of investments	(1,087)	(204,943)	0	(206,030)	54,753
	<u>66,761</u>	<u>443,809</u>	<u>958,811</u>	<u>1,469,381</u>	<u>1,793,889</u>
GRANTS PAID OUT	<u>0</u>	<u>121,039</u>	<u>334,570</u>	<u>455,609</u>	<u>325,403</u>
	<u>66,761</u>	<u>322,770</u>	<u>624,241</u>	<u>1,013,772</u>	<u>1,468,486</u>
EXPENDITURES					
Amortization	627	0	0	627	333
Bank charges and interest	96	0	0	96	107
Dues and fees	2,251	0	0	2,251	2,064
Fundraising	0	0	0	0	250
Insurance	2,052	1,210	0	3,262	3,347
Office	9,792	0	0	9,792	8,162
Printing and marketing	6,124	0	0	6,124	6,686
Professional & investment management fees	20,798	73,745	0	94,543	76,450
Professional development and travel	193	0	0	193	43
Rent	7,823	0	0	7,823	7,810
Salaries	98,194	0	0	98,194	93,135
Program expenses	32,272	0	0	32,272	3,409
Administration fee	(134,393)	99,594	16,332	(18,467)	(15,426)
	<u>45,829</u>	<u>174,549</u>	<u>16,332</u>	<u>236,710</u>	<u>186,370</u>
EXCESS OF REVENUE OVER EXPENDITURES BEFORE THE FOLLOWING	20,932	148,221	607,909	777,062	1,282,116
UNREALIZED APPRECIATION OF INVESTMENTS	<u>0</u>	<u>38,982</u>	<u>0</u>	<u>38,982</u>	<u>191,428</u>
EXCESS OF REVENUE OVER EXPENDITURES	20,932	187,203	607,909	816,044	1,473,544
NET ASSETS, beginning of year	14,688	6,633,147	255,915	6,903,750	5,430,206
INTERFUND TRANSFERS (note 8)	<u>18,000</u>	<u>(8,000)</u>	<u>(10,000)</u>	<u>0</u>	<u>0</u>
NET ASSETS, end of year	<u>\$ 53,620</u>	<u>\$ 6,812,350</u>	<u>\$ 853,824</u>	<u>\$ 7,719,794</u>	<u>\$ 6,903,750</u>

see accompanying notes

THE GUELPH COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Operating Fund	Endowed Fund	Non-Endowed Fund	2011	2010
CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING, ENDOWED, AND NON-ENDOWED FUND ACTIVITIES					
Excess of revenue over expenditures for the year	\$ 20,932	\$ 187,203	\$ 607,909	\$ 816,044	\$ 1,473,544
Items not requiring an outlay of cash					
Amortization	627	0	0	627	333
Interfund transfers	18,000	(8,000)	(10,000)	0	0
Unrealized appreciation of investments	<u>0</u>	<u>(38,982)</u>	<u>0</u>	<u>(38,982)</u>	<u>(191,428)</u>
	39,559	140,221	597,909	777,689	1,282,449
Changes in non-cash working capital items					
Decrease (increase) in HST recoverable	501	0	0	501	(610)
(Increase) decrease in accounts receivable	0	0	0	0	423
(Increase) decrease in due to and from funds	(98,308)	94,237	4,071	0	0
Increase (decrease) in accounts payable and accrued liabilities	2,155	0	0	2,155	(24,042)
(Decrease) increase in deferred revenue	<u>(33,062)</u>	<u>0</u>	<u>0</u>	<u>(33,062)</u>	<u>33,062</u>
	<u>(89,155)</u>	<u>234,458</u>	<u>601,980</u>	<u>747,283</u>	<u>1,291,282</u>
CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) INVESTING ACTIVITIES					
Purchase of capital assets	(883)	0	0	(883)	0
Purchase of investments, net of sales	0	(231,742)	(526,671)	(758,413)	(1,143,864)
Funds held for others - asset	0	(139,507)	0	(139,507)	(120,882)
Funds held for others - liability	<u>0</u>	<u>139,507</u>	<u>0</u>	<u>139,507</u>	<u>120,882</u>
	<u>(883)</u>	<u>(231,742)</u>	<u>(526,671)</u>	<u>(759,296)</u>	<u>(1,143,864)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(90,038)	2,716	75,309	(12,013)	147,418
CASH AND CASH EQUIVALENTS, beginning of year	<u>132,241</u>	<u>216,308</u>	<u>31,459</u>	<u>380,008</u>	<u>232,590</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 42,203</u>	<u>\$ 219,024</u>	<u>\$ 106,768</u>	<u>\$ 367,995</u>	<u>\$ 380,008</u>

see accompanying notes

THE GUELPH COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NATURE OF BUSINESS

The Guelph Community Foundation (the "Foundation") is a public foundation incorporated as a corporation without share capital under the Canada Corporations Act on July 9, 1999. The Foundation exists to help improve the quality of life in Guelph and area by building and managing permanent endowment funds for community betterment. Charitable endeavours in areas such as health, education, arts and culture, recreation, the environment, and social services, are supported by distributing, via grants, the income earned on the permanent endowment funds. The Foundation is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies is presented in order to assist the reader in interpreting these financial statements:

(a) BASIS OF ACCOUNTING

The Foundation follows the restricted fund method of accounting for contributions.

Operating Fund

The Operating Fund reports resources available for the Foundation's general operating activities.

Endowed Fund

The Endowed Fund reports resources that are to be held as endowments including unexpended investment income which is restricted for specific purposes. To support the policy of preserving the capital of the permanent endowment funds, while complying with the disbursement quota requirements of the Income Tax Act (Canada), the Foundation endeavours to provide a minimum of 3.5% of the market value of the funds as grants in any given year. Where granting at that level would have the effect of eroding the capital of the permanent endowed funds, the Foundation may choose to grant a lesser amount in order to minimize or alleviate the erosion of capital. In so doing, it may have to utilize some of the disbursement excess carried forward from prior years in order to comply with the disbursement quota legislation.

Non-Endowed Fund

The Non-Endowed Fund reports resources that are not to be held as endowments and are, therefore, disbursed as grants on a current and time-scheduled basis. These are flow through funds and funds for charitable distribution which donors provide support for charitable organizations.

(b) REVENUE RECOGNITION

Contributions are recognized as revenue of the appropriate fund in the year received or receivable if the amount can be reasonable estimated and collection is reasonably assured.

THE GUELPH COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) DEFERRED GIFTS

The Foundation is designated the beneficiary of certain estates. The amount of these planned gifts is not readily determinable and has not been included in these financial statements.

(d) INVESTMENTS

Investments are recorded at market value.

(e) CAPITAL ASSETS

Computer equipment is depreciated on a straight line basis over three years.

(f) CONTRIBUTED SERVICES

During the year, a number of organizations donate services to the Foundation and a number of volunteers contribute a significant amount of their time. Because of the difficulty in determining the fair value, contributed services are not recorded in the financial statements.

(g) DONATIONS IN KIND

Donated materials, which would otherwise be paid for by the Foundation, are recorded at fair value when provided.

(h) FINANCIAL INSTRUMENTS

The Foundation's assets and liabilities are generally classified and measured as outlined below.

Cash, cash equivalents, and investments are classified as held for trading. They are accounted for at market value with the change in market value recognized in the net income for the year.

Grants receivable, HST recoverable, accounts receivable and interfund loans are classified as loans and receivables. They are accounted for at amortized cost.

Accounts payable and accrued liabilities and deferred revenue are classified as other liabilities. They are accounted for at amortized cost.

(i) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist principally of funds held in financial institutions.

(j) 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 expense during the year. Actual results could differ from those estimates. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in income in the periods in which they become known.

THE GUELPH COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

2. INTERFUND LOANS

Interfund loans are the result of transferring money between the funds within the Foundation. They are non-interest bearing and are due on demand.

3. CAPITAL ASSETS

Capital assets at year end are comprised of the following:

	2011	2010
Computer equipment	\$ 6,847	\$ 5,963
Accumulated amortization	<u>(6,258)</u>	<u>(5,630)</u>
Net	<u>\$ 589</u>	<u>\$ 333</u>

4. INVESTMENTS

Investments at year end are comprised of the following:

	2011	2010
<u>Endowed fund investments</u>		
Cash and cash equivalents	\$ 395,065	\$ 403,570
Portfolio investments	6,213,578	5,934,076
Life insurance policies (CSV)	<u>10,374</u>	<u>10,648</u>
	<u>6,619,017</u>	<u>6,348,294</u>
<u>Non-Endowed investments</u>		
Cash and cash equivalents	130,243	7,844
Portfolio investments	<u>604,877</u>	<u>200,604</u>
	<u>735,120</u>	<u>208,448</u>
	<u>\$ 7,354,137</u>	<u>\$ 6,556,742</u>

The Foundation is the owner and beneficiary of one (2010 - two) life insurance policy. The cash surrender value (CSV) of this life insurance policy is included in the above investments.

The Foundation maintains a policy governing the investment of capital funds. The policy addresses investment grade and concentration as well as asset mix and other issues. The following long term asset mix policy has been established in order to provide a benchmark for long term return requirements which are consistent with the fund objectives.

	Minimum	Maximum
Cash and money market	2%	15%
Fixed income securities	40%	70%
Equities	15%	58%

THE GUELPH COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

5. FUNDS HELD FOR OTHERS

These are funds owned by other charitable organizations for which the income and capital is designated for the benefit of these organizations. At year end, funds held for others are comprised of the following:

	2011	2010
Cash and cash equivalents	\$ 121,564	\$ 120,608
Portfolio investments	<u>1,911,961</u>	<u>1,773,410</u>
	<u>\$ 2,033,525</u>	<u>\$ 1,894,018</u>

6. FINANCIAL RISK MANAGEMENT

The Foundation may be exposed to a variety of financial risks including credit risk, liquidity risk and market risk (including interest rate risk, currency risk, and other price risk):

a) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Foundation. It is management's opinion that the Foundation is not exposed to significant credit risk.

b) Liquidity risk

The Foundation is also exposed to liquidity risk in the event that investments must be sold quickly. It is management's opinion that the Foundation is not exposed to significant liquidity risk.

c) Market risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of financial instruments. It arises when the Foundation invests in interest-sensitive investments such as bonds and other fixed income investments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currencies.

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

The Foundation manages market risk by diversifying investments in accordance with its policy governing the investment of capital funds.

THE GUELPH COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

7. CAPITAL DISCLOSURE

The Guelph Community Foundation defines capital as the externally restricted endowed fund net assets. The Foundation's objective in managing the endowment capital is to generate earnings. In this regard, the Foundation aims to:

- Maximize charitable granting, consistent with the fundamental role of the Foundation to distribute grants in support of a wide range of charitable causes;
- Meet the disbursement requirement under the Income Tax Act; and
- Cover service fees which support the operations of the Foundation.

The Foundation's Investment Committee makes recommendations to the Board of Directors regarding investment policy and strategy including asset allocation and performance objectives in order to meet the spending and reinvestment objectives. The Committee also recommends the appointment of Investment Counsel and monitors their performance.

The Foundation is not subject to externally imposed capital requirements.

8. INTERFUND TRANSFERS

During the year, the Foundation made the following interfund transactions:

Endowed funds of \$8,000 were transferred, at the direction of the fund donor, to the Operating Fund to assist with funding operations.

Non-Endowed funds of \$10,000 were transferred, at the direction of the fund donor, to the Operating Fund to assist with funding operations.