

**THE GUELPH COMMUNITY
FOUNDATION**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

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Chartered Accountants
and Business Advisors

Per. 014-0122

INDEPENDENT AUDITOR'S REPORT

To the members of: The Guelph Community Foundation

We have audited the accompanying financial statements of The Guelph Community Foundation, which comprise the statement of financial position as at December 31, 2012 and December 31, 2011 and the statements of operations and changes in net assets and cash flows for the years 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 accounting standards for not for profit organizations 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 audits 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, 2012 and December 31, 2011 and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not for profit organizations.

Guelph, Ontario
April 25, 2013



Chartered Accountants
Licensed Public Accountants

AUDITOR'S REPORT

THE GUELPH COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	Operating Fund	Endowed Fund	Non-Endowed Fund	2012	2011
ASSETS					
CURRENT					
Cash and cash equivalents	\$ 18,449	\$ 141,327	\$ 71,587	\$ 231,363	\$ 367,995
HST recoverable	5,089	0	0	5,089	5,092
Prepaid expenses	130	0	0	130	0
Interfund loans (note 3)	<u>53,095</u>	<u>(309,645)</u>	<u>256,550</u>	<u>0</u>	<u>0</u>
	76,763	(168,318)	328,137	236,582	373,087
INVESTMENTS (note 5)	0	7,341,338	506,787	7,848,125	7,354,137
FUNDS HELD FOR OTHERS (note 6)	0	2,388,174	0	2,388,174	2,033,525
CAPITAL (note 4)	<u>295</u>	<u>0</u>	<u>0</u>	<u>295</u>	<u>589</u>
	<u>\$ 77,058</u>	<u>\$ 9,561,194</u>	<u>\$ 834,924</u>	<u>\$ 10,473,176</u>	<u>\$ 9,761,338</u>


LIABILITIES


CURRENT					
Accounts payable and accrued liabilities	\$ 7,634	\$ 0	\$ 0	\$ 7,634	\$ 6,627
Government remittances payable	<u>1,838</u>	<u>0</u>	<u>0</u>	<u>1,838</u>	<u>1,392</u>
	9,472	0	0	9,472	8,019
FUNDS HELD FOR OTHERS (note 6)	<u>0</u>	<u>2,388,174</u>	<u>0</u>	<u>2,388,174</u>	<u>2,033,525</u>
Total Liabilities	<u>9,472</u>	<u>2,388,174</u>	<u>0</u>	<u>2,397,646</u>	<u>2,041,544</u>

NET ASSETS

RESTRICTED	0	7,173,020	834,924	8,007,944	7,666,174
UNRESTRICTED	<u>67,586</u>	<u>0</u>	<u>0</u>	<u>67,586</u>	<u>53,620</u>
	<u>67,586</u>	<u>7,173,020</u>	<u>834,924</u>	<u>8,075,530</u>	<u>7,719,794</u>
	<u>\$ 77,058</u>	<u>\$ 9,561,194</u>	<u>\$ 834,924</u>	<u>\$ 10,473,176</u>	<u>\$ 9,761,338</u>

APPROVED ON BEHALF OF THE BOARD

 _____ Director

 _____ Director

see accompanying notes

THE GUELPH COMMUNITY FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Operating Fund	Endowed Fund	Non-Endowed Fund	2012	2011
REVENUE					
Donations	\$ 16,550	\$ 70,685	\$ 225,021	\$ 312,256	\$ 1,385,804
Grants	2,166	0	0	2,166	35,308
HST rebate	6,117	0	0	6,117	7,216
Interest and dividends	6,352	206,468	6,513	219,333	247,083
Realized gain (loss) on sale of investments	<u>102</u>	<u>(47,361)</u>	<u>(1,998)</u>	<u>(49,257)</u>	<u>(206,030)</u>
	31,287	229,792	229,536	490,615	1,469,381
GRANTS PAID OUT	<u>0</u>	<u>62,195</u>	<u>225,029</u>	<u>287,224</u>	<u>455,609</u>
	<u>31,287</u>	<u>167,597</u>	<u>4,507</u>	<u>203,391</u>	<u>1,013,772</u>
EXPENDITURES					
Amortization	295	0	0	295	627
Bank charges and interest	127	0	0	127	96
Dues and fees	2,881	0	0	2,881	2,251
Insurance	2,016	1,210	0	3,226	3,262
Office	10,900	0	0	10,900	9,792
Printing and marketing	5,855	0	0	5,855	6,124
Professional & investment management fees	20,675	61,698	1,976	84,349	94,543
Professional development and travel	1,521	0	0	1,521	193
Rent	8,439	0	0	8,439	7,823
Salaries	103,046	0	0	103,046	98,194
Web/IT project	7,713	0	0	7,713	32,272
Administration fee	<u>(136,147)</u>	<u>104,317</u>	<u>9,505</u>	<u>(22,325)</u>	<u>(18,467)</u>
	<u>27,321</u>	<u>167,225</u>	<u>11,481</u>	<u>206,027</u>	<u>236,710</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE THE FOLLOWING					
	3,966	372	(6,974)	(2,636)	777,062
UNREALIZED APPRECIATION OF INVESTMENTS					
	<u>0</u>	<u>345,448</u>	<u>12,924</u>	<u>358,372</u>	<u>38,982</u>
EXCESS OF REVENUE OVER EXPENDITURES					
	3,966	345,820	5,950	355,736	816,044
NET ASSETS, beginning of year	53,620	6,812,350	853,824	7,719,794	6,903,750
INTERFUND TRANSFERS (note 8)	<u>10,000</u>	<u>14,850</u>	<u>(24,850)</u>	<u>0</u>	<u>0</u>
NET ASSETS, end of year	<u>\$ 67,586</u>	<u>\$ 7,173,020</u>	<u>\$ 834,924</u>	<u>\$ 8,075,530</u>	<u>\$ 7,719,794</u>

see accompanying notes

THE GUELPH COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Operating Fund	Endowed Fund	Non-Endowed Fund	2012	2011
CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING, ENDOWED, AND NON-ENDOWED FUND ACTIVITIES					
Excess of revenue over expenditures for the year	\$ 3,966	\$ 345,820	\$ 5,950	\$ 355,736	\$ 816,044
Items not requiring an outlay of cash					
Amortization	295	0	0	295	627
Interfund transfers	10,000	14,850	(24,850)	0	0
Unrealized appreciation of investments	<u>0</u>	<u>(345,448)</u>	<u>(12,924)</u>	<u>(358,372)</u>	<u>(38,982)</u>
	14,261	15,222	(31,824)	(2,341)	777,689
Changes in non-cash working capital items					
Decrease in HST recoverable	3	0	0	3	501
(Increase) in prepaid expenses	(130)	0	0	(130)	0
(Increase) decrease in due to and from funds	(39,340)	283,955	(244,615)	0	0
Increase in accounts payable and accrued liabilities	1,007	0	0	1,007	763
Increase in government remittances payable	445	0	0	445	1,392
(Decrease) in deferred revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(33,062)</u>
	<u>(23,754)</u>	<u>299,177</u>	<u>(276,439)</u>	<u>(1,016)</u>	<u>747,283</u>
CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) INVESTING ACTIVITIES					
Purchase of capital assets	0	0	0	0	(883)
Purchase of investments, net of sales	0	(376,874)	241,258	(135,616)	(758,413)
Funds held for others - asset	0	(354,651)	0	(354,651)	(139,507)
Funds held for others - liability	<u>0</u>	<u>354,651</u>	<u>0</u>	<u>354,651</u>	<u>139,507</u>
	<u>0</u>	<u>(376,874)</u>	<u>241,258</u>	<u>(135,616)</u>	<u>(759,296)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(23,754)	(77,697)	(35,181)	(136,632)	(12,013)
CASH AND CASH EQUIVALENTS, beginning of year	<u>42,203</u>	<u>219,024</u>	<u>106,768</u>	<u>367,995</u>	<u>380,008</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 18,449</u>	<u>\$ 141,327</u>	<u>\$ 71,587</u>	<u>\$ 231,363</u>	<u>\$ 367,995</u>

see accompanying notes

THE GUELPH COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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. SUMMARY OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

(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 basis. These are flow through funds and funds for charitable distribution through 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 reasonably estimated and collection is reasonably assured.

THE GUELPH COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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 fair value. Fair value is determined by the closing sale price on the recognized stock exchange on which the investments are listed or principally traded.

(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.

THE GUELPH COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The Foundation initially measures its financial assets and liabilities at fair value.

The Foundation subsequently measures all its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

For financial instruments subsequently measured at fair value, the Foundation recognizes transaction costs directly attributable to their origination, issuance or assumption in net income in the period incurred. When a financial instrument is measured at amortized cost, transaction costs are included in the initial measurement of the instrument.

(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 for not-for-profit organizations 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, 2012

2. TRANSITION TO CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective January 1, 2012, the Foundation adopted the requirements of the CICA handbook and has adopted Canadian accounting standards for not-for-profit organizations. This framework is in accordance with Canadian generally accepted accounting principles. These are the first financial statements prepared in accordance with this new framework which has been applied retrospectively. The accounting policies set out in the significant policy note have been applied in preparing the financial statement for the period ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening balance sheet at January 1, 2011 - which is the Foundation's date of transition.

The Foundation issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook Part V - Pre-Changeover GAAP. The adoption of Canadian accounting standards for not-for-profit organizations has no impact on the previously reported assets, liabilities and fund balances of the corporation, and accordingly, no adjustments have been recorded in the comparative statements of financial position, statements of general fund operations and fund balance, reserve fund operations and fund balance, and statements of cash flows. The foundation also has not applied any of the optional exemptions allowed under Section 1501 - First Time Adoption. Certain of the Foundation's presentation and disclosures included in these financial statements reflect the new presentation and disclosure requirements of Canadian accounting standards for not-for-profit organizations.

Opening statement of financial position at January 1, 2011:

ASSETS

Cash and cash equivalents	\$ 380,008
HST recoverable	5,593
Investments	6,556,742
Funds held for others	1,894,018
Capital	<u>333</u>
	<u>\$ 8,836,694</u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 5,864
Deferred revenue	33,062
Funds held for others	<u>1,894,018</u>
	<u>1,932,944</u>

NET ASSETS

Restricted	6,889,062
Unrestricted	<u>14,688</u>
	<u>6,903,750</u>
	<u>\$ 8,836,694</u>

3. 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.

**THE GUELPH COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

4. CAPITAL ASSETS

Capital assets at year end are comprised of the following:

	2012	2011
Computer equipment	\$ 6,847	\$ 6,847
Accumulated amortization	<u>(6,552)</u>	<u>(6,258)</u>
Net	<u>\$ 295</u>	<u>\$ 589</u>

5. INVESTMENTS

Investments at year end are comprised of the following:

	2012	2011
<u>Endowed fund investments</u>		
Cash and cash equivalents	\$ 444,095	\$ 395,065
Portfolio investments	6,885,500	6,213,578
Life insurance policies (CSV)	<u>11,743</u>	<u>10,374</u>
	<u>7,341,338</u>	<u>6,619,017</u>
 <u>Non-Endowed investments</u>		
Cash and cash equivalents	2,431	130,243
Portfolio investments	<u>504,356</u>	<u>604,877</u>
	<u>506,787</u>	<u>735,120</u>
	<u>\$ 7,848,125</u>	<u>\$ 7,354,137</u>

The Foundation is the owner and beneficiary of one 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, 2012**

6. 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:

	2012	2011
Cash and cash equivalents	\$ 144,698	\$ 121,564
Portfolio investments	<u>2,243,476</u>	<u>1,911,961</u>
	<u>\$ 2,388,174</u>	<u>\$ 2,033,525</u>

7. 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, 2012**

8. INTERFUND TRANSFERS

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

Non-Endowed funds of \$14,850 were transferred, at the direction of the fund donor, to the Endowed Fund for the purposes of increasing an existing endowment fund.

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