

**Community Foundation Grey Bruce**  
**Financial Statements**  
**For the year ended December 31, 2012**

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**Financial Statements**  
**For the year ended December 31, 2012**

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## Independent Auditor's Report

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### To the Members of Community Foundation Grey Bruce

We have audited the accompanying financial statements of the Community Foundation Grey Bruce, which comprise the balance sheet as at December 31, 2012, and the statements of operations and changes in fund balances 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 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 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 is sufficient and appropriate to provide a basis for our audit opinion.



#### **Basis for Qualified Opinion**

In common with many charitable organizations, the entity derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. We were unable to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses and cash flows from operations for the year ended December 31, 2012, current assets as at December 31, 2012 and fund balances as at January 1, 2012 and December 31, 2012.

#### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Community Foundation Grey Bruce as at December 31, 2012 and the results of its operations and changes in fund balances and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### **Comparative Information**

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that Community Foundation Grey Bruce adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheet as at December 31, 2011 and January 1, 2011, and the statement of operations and changes in fund balances and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario  
May 21, 2013

# Community Foundation Grey Bruce Balance Sheet

	Operating Fund	Restricted Fund	Endowment Fund	December 31 2012 Total	December 31 2011 Total (Unaudited)	January 1 2011 Total (Unaudited)
<b>Assets</b>						
Current						
Cash	\$ 39,102	\$ 65,118	\$ -	\$ 104,220	\$ 122,379	\$ 154,550
Investments (Note 3)	81,100	512,353	5,680,527	6,273,980	5,578,388	5,436,223
Accounts receivable (Note 4)	14,778	-	-	14,778	13,819	5,445
Prepaid expenses	1,244	-	-	1,244	1,871	1,871
	\$ 136,224	\$ 577,471	\$ 5,680,527	\$ 6,394,222	\$ 5,716,457	\$ 5,598,089
<b>Liabilities and Net Assets</b>						
Current						
Accounts payable (Note 5)	\$ 17,406	\$ -	\$ -	\$ 17,406	\$ 10,376	\$ 17,661
Deferred revenue	-	-	-	-	5,952	16,172
	17,406	-	-	17,406	16,328	33,833
<b>Fund balances</b>						
Externally restricted (Note 6)						
Endowments	-	-	5,680,527	5,680,527	5,517,082	5,292,401
Donor restricted	-	577,471	-	577,471	113,539	218,166
Operating	118,818	-	-	118,818	69,508	53,689
	118,818	577,471	5,680,527	6,376,816	5,700,129	5,564,256
	\$ 136,224	\$ 577,471	\$ 5,680,527	\$ 6,394,222	\$ 5,716,457	\$ 5,598,089

Approved on behalf of the Board:

Director

Director

The accompanying notes are an integral part of these financial statements.

**Community Foundation Grey Bruce**  
Statement of Operations and Changes in Fund Balances

For the year ended December 31

	Operating Fund		Restricted Fund		Endowment Fund		Total
	2012	2011	2012	2011	2012	2011	
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)
<b>Revenues</b>							
Trillium grant	\$ 5,952	\$ 25,920	\$ -	\$ -	\$ -	\$ -	\$ 5,952
Donations	95,620	57,841	167,770	78,587	149,450	239,038	412,840
Investment income (Note 7)	146,875	25,536	393,327	65,650	-	-	540,202
	248,447	109,297	561,097	144,237	149,450	239,038	958,994
							492,572
<b>Expenses</b>							
Administrative expenses (Schedule 1)	148,359	129,011	-	-	-	-	148,359
Insurance premium	-	-	6,000	6,000	-	-	6,000
Trillium expenses (Schedule 2)	6,747	25,125	-	-	-	-	6,747
Grants (Note 9)	16,000	-	105,201	196,563	-	-	121,201
	171,106	154,136	111,201	202,563	-	-	282,307
							356,699
<b>Excess of revenues over expenses for the year</b>	77,341	(44,839)	449,896	(58,326)	149,450	239,038	676,687
<b>Fund balances, beginning of year</b>	69,508	53,689	113,539	218,166	5,517,082	5,292,401	5,700,129
<b>Interfund transfers (Note 10)</b>	(28,031)	60,658	14,036	(46,301)	13,995	(14,357)	-
<b>Fund balances, end of year</b>	\$ 118,818	\$ 69,508	\$ 577,471	\$ 113,539	\$ 5,680,527	\$ 5,517,082	\$ 6,376,816
							\$ 5,700,129

The accompanying notes are an integral part of these financial statements.

**Community Foundation Grey Bruce**  
**Statement of Cash Flows**

<u>For the year ended December 31</u>	<u>2012</u>	<u>2011</u>
		(Unaudited)
<b>Cash flows from (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses for the year	\$ 676,687	\$ 135,873
Items not involving cash		
Change in unrealized gain on investments	(352,985)	85,545
Donation of shares	(206,456)	(99,006)
	<u>117,246</u>	<u>122,412</u>
<b>Changes in non-cash working capital balances</b>		
Accounts receivable	(959)	(8,374)
Prepaid expenses	627	-
Accounts payable	7,030	(7,285)
Deferred revenue	(5,952)	(10,220)
	<u>117,992</u>	<u>96,533</u>
<b>Investing activities</b>		
Increase in investments	(136,151)	(128,704)
<b>Decrease in cash during the year</b>	(18,159)	(32,171)
<b>Cash position, beginning of the year</b>	<u>122,379</u>	<u>154,550</u>
<b>Cash position, end of the year</b>	<u>\$ 104,220</u>	<u>\$ 122,379</u>

The accompanying notes are an integral part of these financial statements.



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## Community Foundation Grey Bruce

### Notes to Financial Statements

December 31, 2012

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#### 1. Summary of Significant Accounting Policies

##### Nature and Purpose of Organization

Community Foundation Grey Bruce is incorporated without share capital by letters patent under the laws of the Canada Corporations Act. The Community Foundation Grey Bruce is involved in raising and disbursing funds to not-for-profit organizations, charities, and educational and cultural organizations in Grey and Bruce Counties.

The Community Foundation Grey Bruce is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

##### Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

##### Fund Accounting

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

The Operating Fund reports resources available for the Foundation's program delivery and administrative activities. The use of these funds is at the discretion of the Foundation's Board of Directors.

The Restricted Fund reports resources available for grant making purposes specified by the donor or endowment funder.

The Endowment Fund reports resources contributed for endowment that are not to be expended by the Foundation.



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## Community Foundation Grey Bruce

### Notes to Financial Statements

December 31, 2012

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#### 1. Summary of Significant Accounting Policies (continued)

##### Revenue Recognition

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Grant revenue is recorded in the period in which the related eligible expenses are incurred. Where a portion of a grant relates to a future period, it is deferred and recognized in a subsequent period.

Restricted contributions are recognized as revenue of the appropriate restricted fund when received.

Contributions for endowment are recognized as revenue in the Endowment Fund when received.

Investment income includes dividends, interest, realized gains/(losses) and the net change in unrealized gains/(losses) for the year less investment counsel fees.

Investment income earned on resources of the Endowment Fund is reported in the Operating or Restricted Fund depending on the nature of any restrictions imposed by the contributors of the endowment. An allocation of Interest, determined annually by the Board of Director, is reported as an interfund transfer to the Endowment Fund to preserve the purchasing power of the capital.

Investment income earned on restricted funds is reported as revenue of the appropriate restricted fund and unrestricted investment income is recognized in operating fund when earned.

##### Financial Instruments

Financial instruments are recorded at fair value when acquired or issued.

In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date.

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## Community Foundation Grey Bruce

### Notes to Financial Statements

**December 31, 2012**

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#### 1. Summary of Significant Accounting Policies (continued)

Financial Instruments	All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.
Contributed Materials and Services	Volunteers contribute a substantial number of hours each year to assist the Foundation in carrying out its activities. Due to the difficulty in determining fair value, contributed goods and services are not recognized in the financial statements.
Foreign Currency Translation	At the transaction date, investments and investment income is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, investments are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current year.

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#### 2. First-time Adoption

Effective January 1, 2011, the Foundation adopted the requirements of the new accounting framework, Canadian Accounting Standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the Foundation's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 - Significant Accounting Policies have been applied in preparing the financial statements for the year 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 ASPNO balance sheet at the date of transition of January 1, 2011.

The Foundation issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in a decrease of \$3,000 in opening operating fund balance at the date of transition of January 1, 2011 to remove contributed inventory. There was no impact on the organizations most recent previously issued statement of operations for the year ended December 31, 2011.

No exemptions were used at the date of transition to Canadian accounting standards for not-for-profit organizations.

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## Community Foundation Grey Bruce

### Notes to Financial Statements

December 31, 2012

#### 3. Investments

	2012		2011	
Notes	\$ 326,694	5 %	\$ 277,271	5 %
Bonds				
Canadian	1,949,392	31 %	2,058,199	37 %
Foreign	123,724	2 %	11,700	- %
Equities				
Canadian	1,598,575	25 %	1,287,733	23 %
Foreign	1,217,521	19 %	1,085,984	19 %
International Pooled Funds	1,058,074	17 %	857,501	15 %
	6,273,980	99 %	5,578,388	99 %
Cash				
Canadian	69,276	1 %	37,186	1 %
Foreign	7,899	- %	3,256	- %
	<u>\$ 6,351,155</u>	<u>100 %</u>	<u>\$ 5,618,830</u>	<u>100 %</u>

The investments held for trading are held in portfolios managed by professional investment counsellors and a \$50,000 guaranteed investment certificate.

Investments are held for safekeeping at authorized depositories, such as the Canadian Depository for Securities. Investments are made in accordance with the Foundation's investment policy as approved by the Board. The primary objective in investing the assets of the Community Foundation Grey Bruce is income generation through fixed income and dividends and the preservation and enhancement of the value of the capital through prudent diversification of high quality investments, currencies and asset classes.

The Foundation's investments are exposed to the following risks;

- a) **Market Risk** is the risk that the value of the investments will fluctuate as a result of changes in market price. The Foundation is exposed to market risk on its investments in equities and pooled investments. The investments of the Foundation are subject to normal market fluctuations and to the risk inherent in investment in capital markets.
- b) **Interest Rate Risk** is the risk that the value of the investments will fluctuate as a result of changes in market interest rates. Interest rate risk arises when the Foundation invests in interest-bearing financial instruments, and therefore the Foundation is exposed to interest rate risk on its notes and bonds.
- b) **Currency Risk** is the risk that the value of the investments will fluctuate as a result of fluctuations in foreign exchange rates. The Foundation is exposed to currency risk on its foreign equities, pooled funds and cash as they are converted into Canadian dollars at the rate of exchange prevailing on December 31st to determine fair value.

The objective of the Foundation's investment policy is to control these risks with a balanced approach, with a diversified mix of equities and fixed income securities and cash. The Foundation's investments are measured against a benchmark consisting of relative weightings of S&P/TSX Composite Index, S&P 500 Index, Morgan Stanley EAFE Index, Morgan Stanley World Index and Dex Universe Bond Index.

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**Community Foundation Grey Bruce**  
Notes to Financial Statements

December 31, 2012

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**4. Accounts Receivable**

There were no impairment allowances included in accounts receivable. The Foundation is exposed to credit risk arising from its accounts receivable.

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**5. Accounts Payable**

Included in accounts payable is \$651 (2011 - \$1,332) in government remittances payable. The Foundation is exposed to liquidity risk arising from its accounts payable.

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**6. Externally Restricted Net Assets**

	2012	2011
<b>Endowments</b>		
Unrestricted Funds	\$ 260,352	\$ 228,294
Designated Funds	1,648,270	1,606,380
Field of Interest	460,664	473,920
Designated - Agency Fund	575,940	600,216
Donor Advised	1,208,522	1,073,472
Designated - Foundation Operations	1,526,779	1,534,800
	<u>\$ 5,680,527</u>	<u>\$ 5,517,082</u>
<b>Donor Restricted Undistributed Fund Balance</b>		
Endowment fund earnings available for granting	\$ 512,353	\$ 87,403
Flow Through Funds		
Owen Sound Physicians Recruitment	9,563	21,351
Cheetham	-	4,160
Bruce Resource Stewardship Network	-	625
Wes for Youth	4,995	-
Vickers	50,560	-
	<u>\$ 577,471</u>	<u>\$ 113,539</u>

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**Community Foundation Grey Bruce**  
**Notes to Financial Statements**

**December 31, 2012**

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**7. Investment Income**

Investment income net of investment counsel fees is reported as follows:

	2012	2011
Dividends and interest	\$ 187,366	\$ 174,279
Realized gain (loss)	38,406	35,955
Change in unrealized gain (loss)	348,892	(85,545)
Investment council fees	(34,462)	(33,503)
Total investment income on endowment resources recognized as revenue in the year	<u>\$ 540,202</u>	<u>\$ 91,186</u>

Net investment income earned on endowment funds is reported as follows:

Operating	\$ 146,875	\$ 25,536
Restricted	393,327	65,650
Total investment income on endowment resources recognized as revenue in the year	<u>\$ 540,202</u>	<u>\$ 91,186</u>

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**8. Matched Funding**

The Foundation has initialized a matching program utilizing up to \$300,000 of the funds received from the Betty McKay Estate. This program effective September 1, 2010 is designed as follows:

- (a) All matching by the Foundation is on a \$1 per \$2 donated.
- (b) There is a maximum of \$20,000 to be matched for each participating community fund.
- (c) There is a maximum of \$10,000 to be matched for all other existing and new funds participating in the program.
- (d) All matched funds must remain with the Foundation if the Endowed fund is ever dissolved.
- (e) Annual investment income will be reinvested into the matched fund until endowed capital of the combined funds reaches \$25,000.

The Betty McKay Estate provided \$12,451 in matching funds in 2012 (2011 - \$89,950).

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**Community Foundation Grey Bruce**  
**Notes to Financial Statements**

**December 31, 2012**

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**9. Grants**

	2012	2011
Related to endowments	\$ 58,597	\$ 113,521
Related to flow through funds	46,604	83,042
Related to operating funds	16,000	-
	<u>\$ 121,201</u>	<u>\$ 196,563</u>

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**10. Interfund Transfers**

An annual administration fee of 1.5% of the market value of the endowments and 1.5% of receipts for flow through funds is transferred to the Operating Fund from the Restricted Funds. In 2012 this resulted in a transfer of \$63,919 (2011 - \$60,658).

In 2012, \$4,040 (2011 - \$20,000) was transferred from a Restricted Flow Through Fund to the Operating Fund to be utilized to assist with the payment of grants.

In order to pay various grants and expenses related to endowments, \$11,005 (2011 - \$34,357) was transferred from Endowment Fund to Restricted Fund.

A transfer of \$70,990 (2011 - \$NIL) was made from the Operating Fund to the Restricted Fund to assist with the payment of grants from various funds. In addition a transfer from the Operating Fund of \$25,000 was made to endowment funds.

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**11. Interest in Life Insurance Policies**

The Community Foundation Grey Bruce is the assignee and owner of a life insurance policy totalling approximately \$185,000. No value related to this policy has been included in these financial statements.

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## **Community Foundation Grey Bruce**

### **Notes to Financial Statements**

**December 31, 2012**

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#### **12. Charitable Remainder Trust**

The Community Foundation Grey Bruce is a residual capital beneficiary of the Jessie Calder Charitable Remainder Trust. Upon the death of the last income beneficiary, the Foundation will receive 2/3rds of the capital that remains in the trust. No value related to this trust has been included in these financial statements.

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#### **13. Beneficiary of an Estate**

The Foundation is the beneficiary of the Estate of Eva Lefler. The amount to be received would be the residual amount after all other payments required in the will have been executed. No value related to this estate has been included in these financial statements.

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**Community Foundation Grey Bruce**  
**Schedule 1 - Administrative Expenses**

For the year ended December 31	2012	2011
		(Unaudited)
<b>Administrative Expenses</b>		
Annual meeting	\$ 2,577	\$ 2,837
Bank charges	164	85
Conferences, training and workshops	1,029	2,674
Environmental web site	-	3,285
Insurance	1,837	1,837
Meetings	2,727	1,337
Membership dues and subscriptions	1,540	1,262
Miscellaneous	560	536
Office expenses	3,440	3,098
Promotional material and events	17,439	2,848
Professional fees	5,157	5,697
Rent	14,344	13,720
Salaries and benefits	92,913	85,903
Telephone and internet	2,493	1,649
True sport	283	-
Travel	1,856	2,243
	<b>\$ 148,359</b>	<b>\$ 129,011</b>

The Foundation's operating expenses involves asset development and activities related to grant making, leadership and philanthropic services. These activities are not necessarily related to the donations received in any one year and the asset development methodology used by the Foundation creates normal gift delays with may result in costs preceding the receipt of the gifts by several years. The ratio of total operating expenses to average total assets has been used to evaluate operating costs.

Total assets, beginning of the year	\$ 5,716,457	\$ 5,598,089
Total assets, end of the year	\$ 6,394,222	\$ 5,716,457
Average total assets	\$ 6,055,340	\$ 5,657,273
Administrative expenses	\$ 148,359	\$ 129,011
Administrative expenses as a percentage of total assets	2.45 %	2.28 %

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**Community Foundation Grey Bruce**  
**Schedule 2 - Trillium Expenses**

<b>For the year ended December 31</b>	<b>2012</b>	<b>2011</b>
		(Unaudited)
<b>Trillium Expenses</b>		
Direct mail	\$ 223	\$ 11,072
Equipment	4,638	2,208
Evaluation	501	-
Marketing	643	776
Print material	742	11,069
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	\$ 6,747	\$ 25,125

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