

**ELGIN - ST. THOMAS
COMMUNITY FOUNDATION**

**Financial Statements
December 31, 2012**

ELGIN-ST. THOMAS COMMUNITY FOUNDATION

Financial Statements

For the Year Ended December 31, 2012

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Independent Auditors' Report

To the Board of Directors of:
Elgin-St. Thomas Community Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Elgin-St. Thomas Community Foundation, which comprise the balance sheet as at December 31, 2012 as well as 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 whether the financial statements are free of 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the corporation derives a portion of 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 Foundation and we were not able to determine whether any adjustments might be necessary to donations, revenues, cash, excess of revenue and expenditures and fund balances.

Qualified Opinion

In our opinion, except for the possible 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 Elgin-St. Thomas Community Foundation as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations

St. Thomas, Ontario

April 3, 2013

Graham Scott Enns LLP
CHARTERED ACCOUNTANTS
Licensed Public Accountants

ELGIN-ST. THOMAS COMMUNITY FOUNDATION

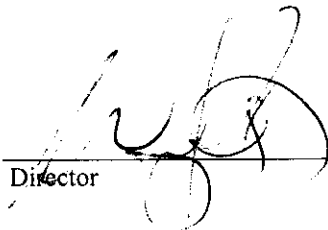
Balance Sheet
As at December 31, 2012

| | 2012 | 2011 |
|--|-----------------------|-----------------------|
| | <u>\$</u> | <u>\$</u> |
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash | 10,681 | 3,857 |
| Restricted cash (Note 5) | - | 19,050 |
| Accounts receivable | 1,333 | 1,581 |
| Donations in kind inventory on hand (Note 4) | <u>350</u> | <u>350</u> |
| | 12,364 | 24,838 |
| INVESTMENTS (PAGE 5) | <u>860,863</u> | <u>884,973</u> |
| | <u>873,227</u> | <u>909,811</u> |
| <u>LIABILITIES</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 4,174 | 4,252 |
| Government remittances payable | <u>310</u> | <u>425</u> |
| | <u>4,484</u> | <u>4,677</u> |
| <u>FUND BALANCES</u> | | |
| Endowment Funds (Pages 3 and 6) | 827,865 | 789,580 |
| Flow Through Restricted Funds (Page 3) | 32,998 | 95,393 |
| Operating Funds | | |
| Restricted Funds (Page 3) | - | 19,050 |
| Unrestricted Net Assets (Page 3) | <u>7,880</u> | <u>1,111</u> |
| | <u>868,743</u> | <u>905,134</u> |
| | <u>873,227</u> | <u>909,811</u> |

On Behalf of the Board



Director



Director

See accompanying notes to the financial statements

ELGIN-ST. THOMAS COMMUNITY FOUNDATION

**Statement of Operations and Changes in Fund Balances
For the Year Ended December 31, 2012**

| | Operating Funds | | | | Flow-Through Funds | | Endowment Funds | | TOTAL | |
|---|-------------------------|---------------|--------------------------------|---------------|--------------------|----------------|-----------------|----------------|----------------|----------------|
| | Unrestricted Net Assets | | Internally Restricted (note 5) | | (restricted) | | | | | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | | | | | |
| Donations and event revenue | 27,222 | 14,454 | - | - | 40,905 | 161,347 | 24,134 | 96,226 | 92,261 | 272,027 |
| Administrative fees | 16,069 | 16,323 | - | - | - | - | - | - | 16,069 | 16,323 |
| Other | 69 | 781 | - | - | - | - | - | - | 69 | 781 |
| Investment income (Schedule) | - | - | - | - | - | - | 41,125 | 5,860 | 41,125 | 5,860 |
| | <u>43,360</u> | <u>31,558</u> | - | - | <u>40,905</u> | <u>161,347</u> | <u>65,259</u> | <u>102,086</u> | <u>149,524</u> | <u>294,991</u> |
| Expenses | | | | | | | | | | |
| Administrative & other expenses (Schedule) | 55,641 | 55,299 | - | - | - | - | 16,069 | 16,323 | 55,641 | 55,299 |
| Administration fee | - | - | - | - | - | - | - | - | 16,069 | 16,323 |
| | - | - | - | - | <u>103,300</u> | <u>66,654</u> | <u>10,905</u> | <u>12,384</u> | <u>114,205</u> | <u>79,038</u> |
| Grants and distributions | | | | | | | | | | |
| Excess (deficiency) of revenues over expenses, grants and distributions | (12,281) | (23,741) | - | - | (62,395) | 94,693 | 38,285 | 73,379 | (36,391) | 144,331 |
| Interfund transfers | 19,050 | 19,050 | (19,050) | (19,050) | - | - | - | - | - | - |
| FUND BALANCES, BEGINNING OF YEAR | <u>1,111</u> | <u>5,802</u> | <u>19,050</u> | <u>38,100</u> | <u>95,393</u> | <u>700</u> | <u>789,580</u> | <u>716,201</u> | <u>905,134</u> | <u>760,803</u> |
| FUND BALANCES, END OF YEAR | <u>7,880</u> | <u>1,111</u> | <u>-</u> | <u>19,050</u> | <u>32,998</u> | <u>95,393</u> | <u>827,865</u> | <u>789,580</u> | <u>868,743</u> | <u>905,134</u> |

See accompanying notes to the financial statements

ELGIN-ST. THOMAS COMMUNITY FOUNDATION

Statement of Cash Flows For the Year Ended December 31, 2012

| | 2012 | 2011 |
|--|-----------------|------------------|
| | <u>\$</u> | <u>\$</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from operating revenues | 42,110 | 30,308 |
| Cash paid to suppliers and employees | <u>(54,336)</u> | <u>(53,519)</u> |
| Cash flows used in operating activities | <u>(12,226)</u> | <u>(23,211)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Grants and distributions | (114,205) | (79,038) |
| Net transfer from (into) investment accounts | 8,041 | (184,395) |
| Income earned on endowment funds | <u>41,125</u> | <u>5,860</u> |
| Cash flows used in investing activities | <u>(65,039)</u> | <u>(257,573)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Endowment and flow-through contributions | <u>65,039</u> | <u>257,573</u> |
| Cash flows from financing activities | <u>65,039</u> | <u>257,573</u> |
| NET DECREASE IN CASH | (12,226) | (23,211) |
| CASH, BEGINNING OF YEAR | <u>22,907</u> | <u>46,118</u> |
| CASH, END OF YEAR | <u>10,681</u> | <u>22,907</u> |
| CASH IS COMPRISED OF: | | |
| Cash | 10,681 | 3,857 |
| Restricted cash | <u>-</u> | <u>19,050</u> |
| | <u>10,681</u> | <u>22,907</u> |

See accompanying notes to the financial statements

ELGIN-ST. THOMAS COMMUNITY FOUNDATION

Schedule of Investments As at December 31, 2012

| | 2012 | 2011 |
|--|----------------|-----------------|
| | <u>\$</u> | <u>\$</u> |
| Investments consist of the following: | | |
| Cash and cash equivalents | 55,623 | 152,292 |
| GIC's and fixed income products | 337,623 | 319,753 |
| Common stock and preferred shares | 169,875 | 164,088 |
| Mutual Fund Portfolio - Canadian | 160,495 | 149,209 |
| Mutual Fund Portfolio - Foreign | 112,297 | 77,236 |
| Other investments | <u>24,950</u> | <u>22,395</u> |
| | <u>860,863</u> | <u>884,973</u> |
| Income earned on investments: | | |
| Dividends and distributions (net of foreign withholding taxes) | 9,976 | 8,727 |
| Interest | 4,244 | 10,155 |
| Gain (loss) on sale of investments | (20,161) | 884 |
| Unrealized gain (loss) on investments | <u>47,066</u> | <u>(13,906)</u> |
| | <u>41,125</u> | <u>5,860</u> |

The above cash balances were maintained in accounts bearing interest at between 0.125% and 1.2% per annum as at December 31, 2012 .

The above GIC's and mutual funds have been measured at fair value. GIC's bear interest at rates between 1.70% and 4.00%, and have maturity dates ranging from January, 2012 to February, 2017.

See accompanying notes to the financial statements

ELGIN-ST. THOMAS COMMUNITY FOUNDATION

Schedule of Endowment Funds As at December 31, 2012

| | 2012 | 2011 |
|-------------------------|----------------|----------------|
| | <u>\$</u> | <u>\$</u> |
| Donor Designated Funds | 80,848 | 78,376 |
| Field of Interest Funds | 28,900 | 28,016 |
| Donor Advised Funds | 494,882 | 463,579 |
| Agency Funds | 144,002 | 143,090 |
| Community Fund | <u>79,233</u> | <u>76,519</u> |
| | <u>827,865</u> | <u>789,580</u> |

See accompanying notes to the financial statements

ELGIN-ST. THOMAS COMMUNITY FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2012

1. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective January 1, 2012, the organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations. These are the organization's first financial statements prepared in accordance with these accounting standards for not-for-profit organizations (ASNPO). These accounting standards have been applied retrospectively. The accounting policies set out in the following significant accounting policies note 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 the preparation of an opening ASNPO balance sheet as at January 1, 2011 (the organization's date of transition).

The impact of ASNPO on the opening balance sheet as at January 1, 2011 and the adjustments to the previously reported changes in net assets and earnings are presented in the notes to the financial statements.

2. NATURE OF THE ORGANIZATION

Elgin-St. Thomas Community Foundation is a corporation without share capital, incorporated by letters patent dated December 11, 2003. The Foundation is a registered charity under the Canadian Income Tax Act and is exempt from income tax.

Vision:

To enhance the quality of life in Elgin County.

Mission:

To strengthen the community for the benefit of all by fostering the growth of community philanthropy; giving opportunities to benefactors to leave a lasting legacy for future generations; building and prudently managing community endowments; and addressing the needs of the community through strategic grant making and organizational support.

ELGIN-ST. THOMAS COMMUNITY FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the opinion of management, the financial statements have been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Revenue Recognition

The Foundation follows the deferral method of accounting for contributions.

Operating Fund donations are recorded as revenue when received. Grants are recorded as revenue in the time period when the related expenditure occurs. Investment income is recorded as revenue when earned. Other revenues are recorded as revenue when receivable. Endowment contributions are recorded as an increase in the applicable Endowment Fund.

Operating Fund

The unrestricted portion of the operating fund represents the unrestricted net assets of the Elgin-St. Thomas Community Foundation supporting vital day to day operations including ongoing operating and program costs.

ELGIN-ST. THOMAS COMMUNITY FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds

The purpose of the Endowment Funds is to allow for the creation and long-term management of funds, the income from which will be used or applied for the long term benefit of citizens of the County of Elgin. Endowment Funds can be of the following designations:

- Community Fund - unrestricted funds respond to the changing needs of our community.
- Agency funds - funds established by charitable organizations as permanent funds to ensure an ongoing source of support for their programs and operations
- Donor designated funds - donors specify the area of interest or charitable activity they wish to support.
- Donor advised funds - donors recommend specific organizations to receive funds.
- Field of interest funds - donors focus giving in a certain area.

Flow Through Donations

Flow Through Donations are restricted by the donor and are granted within one year of being received.

Funds Held for Others

Donors entrust the Foundation with long-term management of funds.

Contributed Services and Materials

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Contributed materials or services which would otherwise have been purchased in the normal course of operations are recorded in these financial statements.

Financial Instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

ELGIN-ST. THOMAS COMMUNITY FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The organization subsequently measures all its financial assets and financial 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 liabilities measured at amortized cost include bank overdraft, bank loan, accounts payable, government remittances payable, amounts due to directors and officers and long-term debt.

Financial assets measured at fair value include cash, short-term investments and long-term investments as they are quoted in an active market.

4. IN-KIND DONATION ARTICLES

The organization receives donations of certain art, prints and other collectibles for which it issues tax receipts. These articles are generally donated or sold at special events. Since the articles are held only for the current year, they are classified as inventory and are recorded at fair value.

There were no sales in 2012, leaving a balance of \$350 in inventory.

5. OPERATING FUND RESTRICTED ASSETS

During the 2010 fiscal year, the Board designated \$38,100 operating funds as internally restricted for specific uses during 2011 and 2012 to further the Foundation's reach and scope of activity within Elgin County. Of this balance, \$19,050 was allocated to operations in 2011 and \$19,050 allocated to operations in 2012.

6. FINANCIAL INSTRUMENTS

Foreign currency risk

The Foundation has no significant revenues or expenditures in foreign currencies.

Credit risk

The Foundation does not have any significant exposure to any individual supporter.

Fair value

The carrying value of accounts receivable, prepaid expenses and accounts payable and accrued liabilities approximate the fair value due to the near-term maturity of these instrument.

ELGIN-ST. THOMAS COMMUNITY FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2012

7. ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS (ASNPO)

Under the requirements of ASNPO the organization is required to disclose the effects of the adjustments on the opening statement of financial position for the comparative periods, the adjustments to changes in net assets, earnings, cash flows, and the elective exemptions used during the adoption of ASNPO. This note outlines the changes to these areas.

a) The adjusted opening balance sheet as at January 01, 2011:

| <u>ASSETS</u> | |
|--|----------------|
| CURRENT ASSETS | |
| Cash | 3,857 |
| Restricted cash | 19,050 |
| Accounts receivable | 1,581 |
| Donations in kind inventory on hand | <u>350</u> |
| | 24,838 |
| INVESTMENTS | <u>884,973</u> |
| TOTAL ASSETS | <u>909,811</u> |
| <u>LIABILITIES</u> | |
| CURRENT LIABILITIES | |
| Accounts payable and accrued liabilities | <u>4,677</u> |
| TOTAL LIABILITIES | <u>4,677</u> |
| <u>FUND BALANCES</u> | |
| Endowment Funds | 789,580 |
| Flow Through Restricted Funds | 95,393 |
| Operating Funds: | |
| Restricted Funds | 19,050 |
| Unrestricted Funds | <u>1,111</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>909,811</u> |

ELGIN-ST. THOMAS COMMUNITY FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2012

7. ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS (ASNPO) (Continued)

- b) There were no adjustments to changes in net assets from the adoption of ASNPO.
- c) There were no adjustments to earnings from the adoption of ASNPO.
- d) There were no adjustments to the statement of cash flows from the adoption of ASNPO.
- e) There were no elective exemptions used in the transition of the financial statements to ASNPO.

ELGIN-ST. THOMAS COMMUNITY FOUNDATION

Schedule of Administrative and Other Expenses For the Year Ended December 31, 2012

| | 2012 | 2011 |
|--|---------------|---------------|
| | <u>\$</u> | <u>\$</u> |
| HST not recoverable | 580 | 1,883 |
| Materials and supplies | 272 | 3,323 |
| Occupancy costs | 1,800 | 1,800 |
| Other operating costs | 2,110 | 1,931 |
| Payroll expense | 29,834 | 23,057 |
| Printing, communications and advertising | 4,515 | 10,427 |
| Professional fees | 6,058 | 8,197 |
| Fundraising and events | 9,727 | 2,890 |
| Professional development and travel | <u>745</u> | <u>1,791</u> |
| | <u>55,641</u> | <u>55,299</u> |

See accompanying notes to the financial statements