

**THE COMMUNITY FOUNDATION OF
NEWFOUNDLAND AND LABRADOR**

FINANCIAL STATEMENTS

DECEMBER 31, 2012

**THE COMMUNITY FOUNDATION OF
NEWFOUNDLAND AND LABRADOR**

DECEMBER 31, 2012

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CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Members of THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR:

We have audited the accompanying financial statements of **THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR** which comprise the statement of financial position as at December 31, 2012 and the statements of revenues and expenditures - combined funds, 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 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.

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 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.

Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations and cash receipts, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, the verification of these revenues was limited to the amounts recorded in the records of the organization and we were unable to obtain sufficient appropriate audit evidence to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditures, and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of **THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR** as at December 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 for not-for-profit organizations.

Other Matter

The financial statements for the year ended December 31, 2011, were audited by another auditor who expressed a qualified opinion on those statements on September 10, 2012.

St. John's, NL
May 24, 2013

Morrissey Professional Corporation Inc.
Chartered Accountants

**THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION**

As At December 31,	2012	2011
ASSETS		
Current		
Cash	\$ 7,869	\$ 9,254
HST recoverable	4,389	3,391
Prepaid expenses	<u>5,032</u>	<u>-</u>
	17,290	12,645
Marketable securities	814,050	685,546
Cash surrender value of life insurance	<u>32,441</u>	<u>22,343</u>
	<u>\$ 863,781</u>	<u>\$ 720,534</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 5,908	\$ 5,078
Deferred revenue (Note 5)	<u>10,000</u>	<u>-</u>
	<u>15,908</u>	<u>5,078</u>
NET ASSETS		
Community Fund – internally restricted	211,738	197,708
Externally restricted funds	641,686	515,537
Operating Fund	<u>(5,551)</u>	<u>2,211</u>
	<u>847,873</u>	<u>715,456</u>
	<u>\$ 863,781</u>	<u>\$ 720,534</u>

On behalf of the Board:

_____ Director

_____ Director

See Accompanying Notes

**THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES AND EXPENDITURES – COMBINED FUNDS**

Year Ended December 31,	2012	2011
Revenues		
Statement of Revenues and Expenditures		
- Community Fund (Schedule 2)	\$ 22,455	\$ 4,078
Statement of Revenues and Expenditures		
- Externally Restricted Funds (Schedule 3)	165,848	157,905
Statement of Revenues and Expenditures		
- Operating Fund (Schedule 4)	<u>42,431</u>	<u>43,061</u>
	<u>230,734</u>	<u>205,044</u>
Expenditures		
Statement of Revenues and Expenditures		
- Community Fund (Schedule 2)	8,425	16,318
Statement of Revenues and Expenditures		
- Externally Restricted Funds (Schedule 3)	39,699	77,914
Statement of Revenues and Expenditures		
- Operating Fund (Schedule 4)	<u>50,193</u>	<u>51,926</u>
	<u>98,317</u>	<u>146,158</u>
Excess of revenues over expenditures for the year	\$ <u>132,417</u>	\$ <u>58,886</u>

**THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CHANGES IN NET ASSETS**

Year Ended December 31,				2012	2011
	Community Fund - internally restricted (Schedule 2)	Externally restricted funds (Schedule 3)	Operating Fund (Schedule 4)	Total	Total
Net assets, beginning of year	\$ 197,708	\$ 515,537	\$ 2,211	\$ 715,456	\$ 656,570
Excess (deficiency) of revenues over expenditures for the year	<u>14,030</u>	<u>126,149</u>	<u>(7,762)</u>	<u>132,417</u>	<u>58,886</u>
Net assets, end of year	<u>\$ 211,738</u>	<u>\$ 641,686</u>	<u>\$ (5,551)</u>	<u>\$ 847,873</u>	<u>\$ 715,456</u>

**THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS**

Year Ended December 31,	2012	2011
Operating activities		
Excess of revenues over expenditures for the year	\$ 132,417	\$ 58,886
Increase in prepaid expenses	(5,032)	-
Increase in HST receivable	(998)	(735)
Increase (decrease) in accounts payable and accrued liabilities	830	(548)
Increase in deferred revenue	<u>10,000</u>	<u>-</u>
Cash flows from operating activities	<u>137,217</u>	<u>57,603</u>
Investing activities		
Increase in marketable securities	(128,504)	(36,529)
Increase in cash surrender value of life insurance	<u>(10,098)</u>	<u>(14,032)</u>
Cash flows used in investing activities	<u>(138,602)</u>	<u>(50,561)</u>
(Decrease) increase in cash during the year	(1,385)	7,042
Cash at beginning of year	<u>9,254</u>	<u>2,212</u>
Cash at end of year	<u><u>\$ 7,869</u></u>	<u><u>\$ 9,254</u></u>

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

1. Purpose of the organization

The Community Foundation of Newfoundland and Labrador (the "Foundation") was incorporated without share capital pursuant to the provisions of Part II of the Canada Corporations Act on November 21, 2001 for the purpose of promoting the well being of the people and community of Newfoundland and Labrador.

The Foundation is designed as a Public Foundation and qualifies for tax-exempt status as a registered charity under paragraph 149(1) of the Income Tax Act.

2. Significant accounting policies

These financial statements have, in all material respects, been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, the more significant of which are set out below:

(a) Adoption of new accounting policies

In December 2010, the Accounting Standards Board (the "AcSB") and the Public Sector Accounting Board finalized new accounting standards for not-for-profit organizations. These new accounting standards were created with the goal of clarifying the AcSB's position that there should be no differences in accounting between profit-oriented enterprises and not-for-profit oriented organizations when the circumstances and transactions are the same, other than for matters included in the 4400 series of the Canadian Institute of Chartered Accountants Handbook sections. The new standards must be adopted by all entities with fiscal years beginning on or after January 1, 2012, with earlier adoption permitted.

The Foundation has adopted these new standards for its year ending December 31, 2012. Adoption of these standards did not have a significant impact on the current year financial statements or the Foundation's prior issued financial statements.

(b) Fund accounting

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

The Operating Fund accounts for revenues and expenses related to the Foundation's operations.

The Community Fund accounts for resources that have been entrusted to the Board of Directors of the Foundation to manage, and as such is considered an internally restricted fund. Income earned on these resources is distributed as determined by the Board of Directors.

Donor-designated endowment funds are externally restricted funds reporting donations and associated investment earnings that will be distributed as advised by the donors.

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

2. Significant accounting policies (continued)

(c) Marketable securities

The Foundation's marketable securities consist of units in Russell Diversified Monthly Income Portfolio (Series E5) held by the Foundation's broker that are recorded at fair value based on quoted market prices.

(d) Revenue recognition

Restricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the Community Fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions to the Community Fund are held by the Board of Directors of the Foundation as endowments.

Investment income earned on endowments is recognized when received, and is recorded according to the wishes of the providers of the endowment funds. Investment income earned on donor-designated funds, the Community Fund and the Operating Fund is recognized when received, and is recorded as revenue of the respective fund.

Administration fees are calculated quarterly based on the average net assets in each fund, and are recorded as revenue of the Operating Fund.

(e) Contributed services

The Foundation may receive goods at no cost from donors. Significant donations are recorded in the accounts at their estimated fair value at the date of the donation. The Foundation also benefits from the service of volunteers. Because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

(f) Management estimates

The preparation of financial statements in conformity with 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, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(g) Salaries and related costs

Salaries and related costs presented in the Statement of Revenues and Expenditures represent the total amounts incurred for the year, and have not been allocated on a functional basis to the various charitable activities, programs and the administration of the Foundation.

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

3. Financial instruments

The Foundation is exposed to various risks through its financial instruments as described below and has a comprehensive risk management framework to monitor, evaluate and manage these risks. Concentration of risk exists when a significant portion of a portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. At the present time, the Foundation invests exclusively in units of Russell Diversified Monthly Income Growth Portfolio. The investments inside this portfolio are considered by management to be sufficiently diversified to protect the Foundation from excessive concentration of risk.

The Foundation has adopted investment policies, standards and procedures to control the amount of risk to which it is exposed. The investment practices of the Foundation are designed to avoid undue risk of loss and impairment of its assets, and to provide a reasonable expectation of return given the nature of the investments. The maximum investment risk to the Foundation is represented by the carrying value of the marketable securities.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its receipt of funds from donors, revenue from investments, and the operational expenditures.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Foundation is mainly exposed to interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through its normal operating and financing activities. The Foundation is exposed to interest rate risk primarily through its investments.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because 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 the market. The Foundation is exposed to other price risk through its investments.

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

4. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

5. Deferred revenue

Deferred revenue consists of donations received for the Atlantic Maple Leaf Tribute Dinner to be held in 2013.

**THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF NET ASSETS BY FUND (SCHEDULE 1)**

As At December 31,			2012	2011
	Net assets, beginning of year	Excess (deficiency) of revenues over expenditures	Net assets, end of year	Net assets, end of year
Community Fund	<u>\$ 197,708</u>	<u>\$ 14,030</u>	<u>\$ 211,738</u>	<u>\$ 197,708</u>
Externally restricted funds:				
Dr. Harry Roberts Fund	13,060	824	13,884	13,060
Cy Mills Fund	11,526	727	12,253	11,526
National Theatre School of Canada Fund	102,705	91,526	194,231	102,705
Honorable Fabian O’Dea Fund	31,874	(7,249)	24,625	31,874
Anthony Insurance Incorporated Fund	48,529	3,061	51,590	48,529
Joseph & Emma Taylor Memorial Scholarship Fund	15,117	953	16,070	15,117
Terry M. Carlson Scholarship Fund	9,215	582	9,797	9,215
Youden Family Fund	22,165	1,398	23,563	22,165
Perlin Family Trust	9,058	571	9,629	9,058
NL Drama Festival Society Fund	16,419	1,036	17,455	16,419
Walter Chambers Scholarship Fund	9,677	610	10,287	9,677
D.A. Matthews Scholarship Fund	9,798	618	10,416	9,798
CIBC Fund	4,246	6,262	10,508	4,246
Hon. John W. Mahoney Scholarship Fund	11,105	(989)	10,116	11,105
Dr. Peter Roberts Memorial Fund	23,039	1,713	24,752	23,039
Michelle Jackson Emerging Filmmaker Fund	14,269	3,496	17,765	14,269
Burham and Mary Gill Fund	91,211	5,754	96,965	91,211
Folk of the Sea Fund	20,163	1,272	21,435	20,163
Dr. Anna Templeton Award Fund	12,534	1,102	13,636	12,534
Thurles Fund	6,091	462	6,553	6,091
Legacy Nature Trust Fund	11,393	2,322	13,715	11,393
Life Insurance Policies	<u>22,343</u>	<u>10,098</u>	<u>32,441</u>	<u>22,343</u>
	<u>\$ 515,537</u>	<u>\$ 126,149</u>	<u>\$ 641,686</u>	<u>\$ 515,537</u>

**THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES AND EXPENDITURES – COMMUNITY FUND (SCHEDULE 2)**

Year Ended December 31,	2012	2011
Revenues		
Donations	\$ 2,500	\$ 1,500
Dividend income	8,586	2,578
Unrealized gain on investments	<u>11,369</u>	<u>-</u>
	<u>22,455</u>	<u>4,078</u>
Expenditures		
Realized loss on investments	4,339	-
Unrealized loss on investments	-	10,495
Administration fees	3,056	3,416
Grants	1,000	2,407
Memberships	<u>30</u>	<u>-</u>
	<u>8,425</u>	<u>16,318</u>
Excess (deficiency) of revenues over expenditures for the year	<u>\$ 14,030</u>	<u>\$ (12,240)</u>

**THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES AND EXPENDITURES – EXTERNALLY RESTRICTED FUNDS
(SCHEDULE 3)**

Year Ended December 31,	2012	2011
Revenues		
Donations	\$ 102,296	\$ 138,013
Increase in cash surrender value of life insurance	10,098	14,033
Dividend income	23,854	5,859
Unrealized gain on investments	<u>29,600</u>	<u>-</u>
	<u>165,848</u>	<u>157,905</u>
Expenditures		
Realized loss on investments	10,732	-
Unrealized loss on investments	-	24,792
Administration fees	8,340	7,534
Life insurance premiums	10,000	10,000
Grants	<u>10,627</u>	<u>35,588</u>
	<u>39,699</u>	<u>77,914</u>
Excess of revenues over expenditures for the year	<u>\$ 126,149</u>	<u>\$ 79,991</u>

**THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES AND EXPENDITURES – OPERATING FUND (SCHEDULE 4)**

Year Ended December 31,	2012	2011
Revenues		
Unrestricted donations	\$ 31,035	\$ 32,112
Administration	<u>11,396</u>	<u>10,949</u>
	<u>42,431</u>	<u>43,061</u>
Expenditures		
Salaries and benefits	31,696	32,730
Office	3,573	6,060
Professional fees	7,062	5,945
Meetings and conventions	1,955	2,577
Advertising and promotions	3,417	2,179
Insurance	1,541	1,417
Interest and bank charges	499	668
Memberships	<u>450</u>	<u>350</u>
	<u>50,193</u>	<u>51,926</u>
Deficiency of revenues over expenditures for the year	<u>\$ (7,762)</u>	<u>\$ (8,865)</u>