

Financial Statements of

**COMMUNITY FOUNDATIONS
OF CANADA**

December 31, 2010

Independent Auditor's Report

To the Members of
Community Foundations of Canada

Report on the Financial Statements

We have audited the accompanying financial statements of Community Foundations of Canada (the "Organization"), which comprise the balance sheet as at December 31, 2010 and the statements of operations and projects, 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 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 judgement, 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.

Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

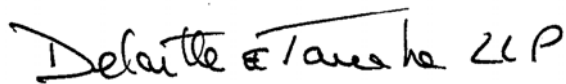
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants

April 21, 2011

COMMUNITY FOUNDATIONS OF CANADA
Financial Statements
December 31, 2010

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COMMUNITY FOUNDATIONS OF CANADA
Statement of Operations and Projects
year ended December 31, 2010

	Operations		Projects		Total	
	2010	2009	2010	2009	2010	2009
Revenue						
Membership support	\$ 624,282	\$ 610,423	\$ -	\$ -	\$ 624,282	\$ 610,423
Donations, grants and sponsorships (Note 7)	316,099	508,829	845,965	989,451	1,162,064	1,498,280
Project cost recovery to operations (Note 9)	57,029	72,840	-	-	-	-
CF-LINKS fees	31,680	41,872	-	-	31,680	41,872
Interest and other revenue	12,931	18,553	5,144	1,317	18,075	19,870
Total revenue	1,042,021	1,252,517	851,109	990,768	1,836,101	2,170,445
Expenses						
Salaries and benefits	543,900	663,621	238,739	372,938	782,639	1,036,559
Consultants	78,092	88,001	30,119	81,778	108,211	169,779
Program Activities						
CF- LINKS	56,310	137,258	-	-	56,310	137,258
Responsible investing	66,166	63,043	-	-	66,166	63,043
General program activities	52,403	59,859	320,472	280,971	372,875	340,830
Travel - board, staff and committees	93,898	128,705	-	-	93,898	128,705
Grants	-	-	204,750	182,241	204,750	182,241
Amortization of capital assets	7,596	7,159	-	-	7,596	7,159
Contributions from projects to operations (Note 9)	-	-	57,029	72,840	-	-
Office operations	158,397	121,050	-	-	158,397	121,050
Fundraising costs	5,569	4,296	-	-	5,569	4,296
Professional fees	23,048	18,820	-	-	23,048	18,820
Total expenses	1,085,379	1,291,812	851,109	990,768	1,879,459	2,209,740
DEFICIENCY OF REVENUE OVER EXPENSES	\$ (43,358)	\$ (39,295)	\$ -	\$ -	\$ (43,358)	\$ (39,295)

COMMUNITY FOUNDATIONS OF CANADA

Statement of Changes in Fund Balances

year ended December 31, 2010

	Operations			Total	
	Invested in Capital Assets	Unrestricted	Endowment	2010	2009
FUND BALANCES, BEGINNING OF YEAR	\$ 22,238	\$ 8,891	\$ 54,426	\$ 85,555	\$ 96,290
Deficiency of revenue over expenses	-	(43,358)	-	(43,358)	(39,295)
Amortization of capital assets	(7,596)	7,596	-	-	-
Acquisition of capital assets	8,255	(8,255)	-	-	-
Endowment contributions	-	-	68,119	68,119	19,014
Interfund transfer (Note 10)	-	(3,438)	3,438	-	-
Change in unrealized gains on available-for-sale-financial assets	-	-	5,809	5,809	9,546
FUND BALANCES, END OF YEAR	\$ 22,897	\$ (38,564)	\$ 131,792	\$ 116,125	\$ 85,555
Accumulated unrealized gains on available-for-sale-financial assets	\$ -	\$ -	\$ 8,054	\$ 8,054	\$ 2,245

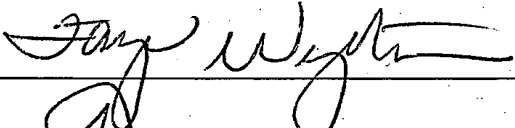
COMMUNITY FOUNDATIONS OF CANADA

Balance Sheet

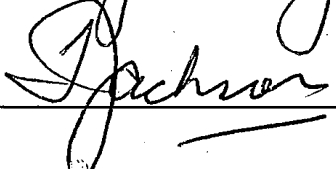
as at December 31, 2010

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and short-term deposits (Note 4)	\$ 83,452	\$ 279,735
Accounts receivable	133,417	39,524
Prepaid expenses	256,693	34,051
	473,562	353,310
CAPITAL ASSETS (Note 5)		
LONG-TERM INVESTMENTS (Note 6)	22,897	22,238
	131,792	54,426
	\$ 628,251	\$ 429,974
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 194,825	\$ 97,248
Deferred contributions (Note 7)	317,301	247,171
	512,126	344,419
FUND BALANCES		
Operations		
Invested in capital assets	22,897	22,238
Unrestricted	(38,564)	8,891
	(15,667)	31,129
Endowment	131,792	54,426
	116,125	85,555
	\$ 628,251	\$ 429,974

ON BEHALF OF THE BOARD



Director



Director

COMMUNITY FOUNDATIONS OF CANADA

Statement of Cash Flows

year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
Cash provided by (used in) operating activities		
Deficiency of revenue over expenses	\$ (43,358)	\$ (39,295)
Amortization of capital assets	7,596	7,159
Endowment restricted income	(3,438)	4,949
Contributions recognized (Note 7)	(1,162,064)	(1,498,280)
	(1,201,264)	(1,525,467)
Changes in non-cash working capital items		
Accounts receivable	(93,893)	174,288
Prepaid expenses	(222,642)	(25,750)
Accounts payable and accrued liabilities	97,577	(126,577)
Cash used in operating activities	(1,420,222)	(1,503,506)
Cash used in investing activities		
Acquisition of investments	(68,119)	(19,014)
Acquisition of capital assets	(8,255)	(14,720)
Cash used in investing activities	(76,374)	(33,734)
Cash provided by financing activities		
Contributions received	1,232,194	1,443,229
Endowment contributions	68,119	19,014
Cash provided by financing activities	1,300,313	1,462,243
NET CASH OUTFLOW	(196,283)	(74,997)
CASH, BEGINNING OF YEAR	279,735	354,732
CASH, END OF YEAR	\$ 83,452	\$ 279,735

COMMUNITY FOUNDATIONS OF CANADA

Notes to the Financial Statements

year ended December 31, 2010

1. NATURE OF ORGANIZATION

Community Foundations of Canada / Fondations communautaires du Canada (the "Organization") was incorporated under Part II of the Canada Corporations Act in January 1992 and is a registered charitable organization. The mission of the Organization is to build stronger communities by enhancing the philanthropic leadership of community foundations.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and include the following significant accounting policies:

Future accounting changes

In 2010, the Canadian Institute of Chartered Accountants (CICA) issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations may adopt either International Financial Reporting Standards (IFRS) or GAAP for not-for-profit organizations. The Organization currently plans to adopt GAAP for not-for-profit organizations effective January 1, 2012.

Fund accounting

The Organization follows the deferral method of accounting for contributions, including donations and grants.

Revenues and expenses related to core operations are reported in the Operating Fund. Revenues and expenses of various, separately funded programs are reported in the Project Fund. Restricted contributions for endowment purposes are recorded in the Endowment Fund.

Revenue recognition

Unrestricted revenues are recognized as revenue in either the operations or project funds when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Grants and donations externally restricted as well as conference fees are deferred and recognized as revenue in the period in which the related expenses are recognized. Membership fees are deferred and recognized as revenue in the period to which the fees relate. Endowment contributions are recognized as increases in fund balances. Investment revenue on the Endowment Fund is recognized in the Operating Fund in the period it is earned.

COMMUNITY FOUNDATIONS OF CANADA

Notes to the Financial Statements

year ended December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed capital assets, materials and services

The Organization receives capital assets, materials and services at no cost from various sources. Donations of these items are not recorded in these financial statements.

Financial instruments

The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Organization's designation of said instruments and is determined at the time of initial recognition. Settlement date accounting is used and transaction costs related to investments are expensed as incurred. Interest is calculated using the effective interest rate method.

All financial assets are required to be classified as either held-for-trading, held-to-maturity investments, loans and receivables or available-for-sale. All financial liabilities are required to be classified as held-for-trading or other liabilities.

Classifications made by the Organization:

Cash and short-term deposits	Held-for-trading
Investments	Available-for-sale
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Held-for-trading

These financial assets are measured at fair value at the balance sheet date. Fair value fluctuations including gains and losses realized on disposal and unrealized gains and losses are included in other income.

Available-for-sale

Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated fund balances until realized when the cumulative gain or loss is transferred to other income.

Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost.

COMMUNITY FOUNDATIONS OF CANADA

Notes to the Financial Statements

year ended December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Loans and receivables

These financial assets are measured at amortized cost using the effective interest rate method, less any impairment.

Related party receivables are recorded at exchange amounts.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest rate method.

Fair value

The Organization's financial instruments consist of cash and short-term deposits, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the Organization is not exposed to significant interest or credit risks arising from these instruments.

The fair value of long-term investments and related risks are disclosed in Note 6.

Capital assets

Capital assets are recorded at cost and amortized over their estimated useful life. Amortization is determined using the declining-balance method at the following annual rates:

Computer equipment	33%
Furniture	20%
Software	50%

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires the Organization's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Significant management estimates include assumptions used in estimating the collectibility of accounts receivable, allocation of salaries, accrued liabilities, and useful life of capital assets. Actual results could differ from the estimates made by management.

COMMUNITY FOUNDATIONS OF CANADA

Notes to the Financial Statements

year ended December 31, 2010

3. CAPITAL MANAGEMENT

The Organization owns an Endowment Fund of \$131,792 (2009 - \$54,426) with conditions stipulated in the agreement, concerning the types of investments allowed and the use of the investment income. The Organization has complied with the requirements of these endowments.

The Organization receives several grants and donations with external restrictions that specify the conditions for using these financial resources as presented in Note 7. The Organization has complied with the requirements respecting these restricted contributions.

4. CASH AND SHORT-TERM DEPOSITS

The cash at the end of the year was in a positive position for an amount of \$83,452 (2009 - \$29,253). Short-term deposits consist of grants received in the current year for operations and project use in the following year. As at December 31, 2010, the Organization did not have any short-term investments. As at December 31, 2009, short-term investments consisted of guaranteed investment certificates (GICs) totalling \$250,482 earning interest at the rates of 1.40% and 0.25%.

5. CAPITAL ASSETS

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Operating assets				
Computer equipment	\$ 87,656	\$ 68,943	\$ 18,713	\$ 16,496
Furniture	24,163	21,387	2,776	3,395
Software	4,136	2,728	1,408	2,347
	\$ 115,955	\$ 93,058	\$ 22,897	\$ 22,238

COMMUNITY FOUNDATIONS OF CANADA
Notes to the Financial Statements
year ended December 31, 2010

6. LONG-TERM INVESTMENTS

	2010			2009		
	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Cost
Cash and Money						
Market Funds	\$ 16,288	12%	\$ 16,288	\$ 431	1%	\$ 431
Investment funds						
Canadian fixed income	30,071	23%	29,763	21,570	40%	21,471
Canadian equity	58,714	45%	51,715	17,938	33%	15,167
U.S. equity	12,894	10%	12,682	6,207	11%	6,870
International equity	13,825	10%	13,289	8,280	15%	8,242
	\$ 131,792	100%	\$ 123,737	\$ 54,426	100%	\$ 52,181

For the fiscal year ended December 31, 2010, the Organization's long-term investment activities resulted in investment gain of \$9,247 (2009 - gain of \$4,597) which includes unrealized gains of \$5,809 (2009 - \$9,546).

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Organization's cash flows, financial positions and investment revenue.

Credit risk

The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration risk

Concentrations of risk exist when a significant portion of the portfolio is invested in securities which have similar characteristics or similar variations relating to economic, political or other conditions. The Organization monitors the financial health of its investments on an ongoing basis with the assistance of its investment advisors.

Foreign exchange risk

The Organization holds investments in U.S. and international equity funds and is therefore subject to foreign exchange risks.

COMMUNITY FOUNDATIONS OF CANADA

Notes to the Financial Statements

year ended December 31, 2010

7. DEFERRED CONTRIBUTIONS

Changes in the deferred contributions balance reported in the Operations and Project Funds are as follows:

	<u>2009</u>	<u>Amount Received</u>	<u>Amount Recognized</u>	<u>2010</u>
Operations	\$ 6,500	\$ 315,599	\$ 316,099	\$ 6,000
Conference				
Sponsorship	-	169,000	-	169,000
Participant support	-	7,500	-	7,500
Registration revenue	-	8,385	-	8,385
	<hr/> 6,500	<hr/> 500,484	<hr/> 316,099	<hr/> 190,885
Projects				
Vital Signs	-	182,862	162,862	20,000
Environmental				
Grantmaking Program	60,039	-	60,039	-
Lake Winnipeg				
Watershed	19,308	13,713	19,924	13,097
Transatlantic Community				
Foundation Network	111,324	234,300	302,379	43,245
Other Projects *	50,000	300,835	300,761	50,074
	<hr/> 240,671	<hr/> 731,710	<hr/> 845,965	<hr/> 126,416
	<hr/> \$ 247,171	<hr/> \$ 1,232,194	<hr/> \$ 1,162,064	<hr/> \$ 317,301

*Other projects include: Columbia Basin Trust Collaboration, Benjamin Moore Community Restoration Project, Ontario Land Trust Alliance, and the True Sport Development Program.

COMMUNITY FOUNDATIONS OF CANADA

Notes to the Financial Statements

year ended December 31, 2010

8. LEASE COMMITMENTS

The Organization has entered into an operating lease agreement with the Community Foundation of Ottawa for office premises. The current lease began in July 2008 and expires in June 2013. Minimum lease payments for the term of the lease are as follows:

2011	\$ 70,303
2012	69,814
2013	<u>34,907</u>
	<u>\$ 175,024</u>

9. INTERFUND ELIMINATIONS

The Organization recovers costs directly, including salaries and benefits from projects. Indirect costs are allocated as project cost recovery, as a percentage of total costs.

On consolidation, interfund cost recovery charges and expenses of \$57,029 (2009 - \$72,840) were eliminated.

10. INTERFUND TRANSFER

The Board of Directors has elected to transfer any revenue earned on the Endowment Fund's investments back to the Endowment Fund. For the fiscal year ended December 31, 2010, the Endowment Fund's investment activities resulted in an income of \$3,438 (2009 - loss of \$4,949).

COMMUNITY FOUNDATIONS OF CANADA

Project Revenue and Expenses

year ended December 31, 2010

	Environmental Grantmaking	Transatlantic Community Foundation Network	Ontario Land Trust Alliance	Vital Signs*	Other Projects**	Total	
						2010	2009
Revenue							
Donations and grants	\$ 79,963	\$ 302,379	\$ 34,761	\$ 162,862	\$ 266,000	\$ 845,965	\$ 989,451
Other revenue	-	2,144	-	3,000	-	5,144	1,317
	\$ 79,963	\$ 304,523	\$ 34,761	\$ 165,862	\$ 266,000	\$ 851,109	\$ 990,768
Expenses							
Salaries and benefits	\$ -	\$ 139,000	\$ 28,124	\$ 41,648	\$ 29,967	\$ 238,739	\$ 372,938
Consultants	30,100	-	-	19	-	30,119	81,778
Grants	8,750	-	-	-	196,000	204,750	182,241
Contribution to operations	4,331	15,000	4,110	4,870	28,718	57,029	72,840
Program activities	36,782	150,523	2,527	119,325	11,315	320,472	280,971
	\$ 79,963	\$ 304,523	\$ 34,761	\$ 165,862	\$ 266,000	\$ 851,109	\$ 990,768

* Vital Signs includes Building Vitality in Rural Communities Project

** Other Projects include the following:
 Benjamin Moore Community Restoration Project
 True Sport Development Program
 Columbia Basin Trust Project