

**GRAND BEND COMMUNITY FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2011**

**VODDEN, BENDER & SEEBACH *LLP*
Chartered Accountants**

Vodden, Bender & Seebach LLP
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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Grand Bend Community Foundation

We have audited the accompanying financial statements of Grand Bend Community Foundation, which comprise the statement of financial position as at December 31, 2011, and the statements of operations and 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 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 our opinion, the financial statements present fairly, in all material respects, the financial position of Grand Bend Community Foundation as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vodden, Bender & Seebach LLP

Chartered Accountants
Licensed Public Accountants

Clinton, Ontario
April 17, 2012

**GRAND BEND COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION**

As at December 31				2011	2010
		Foundation	Environment		
		2011	2011		
ASSETS					
Current assets					
Cash		163,472	12,709	176,181	231,761
Accrued interest receivable		9,668	-	9,668	10,322
Other accounts receivable		1,070	1,248	2,318	2,385
Other assets	note 8	<u>81,337</u>	<u>-</u>	<u>81,337</u>	<u>46,011</u>
		<u>255,547</u>	<u>13,957</u>	<u>269,504</u>	<u>290,479</u>
Investments	note 3	1,835,572	-	1,835,572	1,768,548
Capital assets	note 4	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,298</u>
		<u>\$ 2,091,119</u>	<u>\$ 13,957</u>	<u>\$ 2,105,076</u>	<u>\$ 2,060,325</u>
LIABILITIES AND FUND BALANCES					
Current liabilities					
Accounts payable and accrued liabilities		<u>2,800</u>	<u>650</u>	<u>3,450</u>	<u>3,586</u>
		<u>2,800</u>	<u>650</u>	<u>3,450</u>	<u>3,586</u>
Fund balances					
General administration surplus		43,431	13,307	56,738	49,939
Invested in capital assets		-	-	-	1,298
Flow through fund		-	-	-	-
Unrestricted endowment fund		1,723,224	-	1,723,224	1,727,575
Restricted endowment fund		<u>321,664</u>	<u>-</u>	<u>321,664</u>	<u>277,927</u>
		<u>2,088,319</u>	<u>13,307</u>	<u>2,101,626</u>	<u>2,056,739</u>
		<u>\$ 2,091,119</u>	<u>\$ 13,957</u>	<u>\$ 2,105,076</u>	<u>\$ 2,060,325</u>

The accompanying notes are an integral part of this financial statement

**GRAND BEND COMMUNITY FOUNDATION
FOUNDATION – STATEMENT OF OPERATIONS AND FUND BALANCES**

For the Year Ended December 31	General Administration	Capital Asset Fund	Flow Through	Unrestricted Endowments	Restricted Endowments	Total 2011	Total 2010
Revenue							
Donations	-	-	18,262	61,749	49,260	129,271	72,369
Investment income (loss) note 6	<u>1,737</u>	-	-	<u>32,980</u>	<u>4,427</u>	39,144	177,349
	1,737	-	18,262	94,729	53,687	168,415	249,718
Investment counsel fees	<u>(576)</u>	-	-	<u>(10,978)</u>	<u>(1,475)</u>	(13,029)	(11,923)
	<u>1,161</u>	-	<u>18,262</u>	<u>83,751</u>	<u>52,212</u>	155,386	237,795
Expenses							
Marketing and promotion	8,969	-	-	-	-	8,969	1,671
Donor life insurance policy premiums	-	-	13,262	-	3,594	16,856	16,856
Staff contracts	18,741	-	-	-	-	18,741	10,906
General insurance	2,824	-	-	-	-	2,824	3,007
Memberships and professional development	566	-	-	-	-	566	531
Office and travel	1,468	-	-	-	-	1,468	656
Communications	1,065	-	-	-	-	1,065	748
Rent and utilities	3,406	-	-	-	-	3,406	2,400
Legal and audit	2,750	-	-	-	-	2,750	4,496
Amortization	-	1,298	-	-	-	1,298	2,003
	39,789	1,298	13,262	-	3,594	57,943	43,274
Administration fee - Endowment Funds	<u>(38,583)</u>	-	-	<u>34,552</u>	<u>4,031</u>	-	-
	<u>1,206</u>	<u>1,298</u>	<u>13,262</u>	<u>34,552</u>	<u>7,625</u>	57,943	43,274
Net revenue before grants and distributions	(45)	(1,298)	5,000	49,199	44,587	97,443	194,521
Less: Grants and distributions	-	-	5,000	53,550	850	59,400	42,160
Excess of revenue over expenses, grants and distributions	(45)	(1,298)	-	(4,351)	43,737	38,043	152,361
Fund balance, beginning of year	<u>43,476</u>	<u>1,298</u>	-	<u>1,727,575</u>	<u>277,927</u>	2,050,276	<u>1,897,915</u>
Fund balance, end of year	<u>\$ 43,431</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,723,224</u>	<u>\$ 321,664</u>	\$ 2,088,319	<u>\$ 2,050,276</u>

The accompanying notes are an integral part of this financial statement

**GRAND BEND COMMUNITY FOUNDATION
ENVIRONMENT COMMITTEE – STATEMENT OF OPERATIONS AND FUND BALANCES**

For the Year Ended December 31	2011	2010
Revenue		
Revenues, donations, and contributed support	<u>24,852</u>	<u>32,417</u>
Expenses		
Event materials and supplies	3,045	3,891
Program and entertainment	7,318	21,545
Advertising and promotion	6,899	5,482
Office, supplies and travel	72	33
Legal and audit	674	612
	<u>18,008</u>	<u>31,563</u>
Net profit	6,844	854
Fund balance, beginning of year	<u>6,463</u>	<u>5,609</u>
Fund balance, end of year	<u><u>\$ 13,307</u></u>	<u><u>\$ 6,463</u></u>

The accompanying notes are an integral part of this financial statement

**GRAND BEND COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS**

For the Year Ended December 31	2011	2010
Operating activities		
Net income year	44,887	153,215
Add: Amortization of capital assets	1,298	2,003
Working capital provided by (used for) operations	46,185	155,218
Cash provided by (used for) changes in working capital		
Accrued interest receivable	654	(797)
Other accounts receivable	67	(87)
Other assets	(35,326)	(5,098)
Accounts payable and accrued liabilities	(136)	486
Cash provided by (used for) operations	11,444	149,722
Investing and financing activities		
Net disposals (purchases) of investments	(67,024)	(42,375)
Cash provided by (used for) investing and financing activities	(67,024)	(42,375)
Increase (decrease) in cash	(55,580)	107,347
Cash beginning of year	231,761	124,414
Cash end of year	\$ 176,181	\$ 231,761

The accompanying notes are an integral part of this financial statement

GRAND BEND COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

1. Nature of organization

The Grand Bend Community Foundation ("Foundation") and its donors strengthen the Grand Bend and area community by building and managing permanent endowment funds, distributing strategic and effective grants, and providing community leadership as a resource and a partner.

The Foundation is a public foundation incorporated as a corporation without share capital under the laws of the Province of Ontario on May 16, 2000. The Foundation is a registered charity and is classified as a public foundation under the Income Tax Act (Canada) (the "Tax Act") and as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. To maintain its status as a public foundation registered under the Tax Act, the Foundation must meet certain requirements within the Tax Act. In the opinion of management, these requirements are being met.

2. Significant accounting policies

The financial statements are the responsibility of management prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of the periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgment in the light of available information. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Fund accounting

In order to ensure observance of limitation and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of "fund accounting". Under these principles, resources are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. The Foundation uses five fund groups: General Administrative Fund, Invested in Capital Assets, Flow Through Fund, Unrestricted Endowment Fund, and Restricted Endowment Fund.

- (i) The General Administration Fund accounts for the Foundation's administrative and operational revenues and expenses. Net expenditures of the General Fund are financed primarily by donor contributions directed to general operations and from investment income earned on the endowment contributions on which the donor has placed no restriction on the use of that income. The distribution of income for granting purposes is determined by the Board of Directors each year according to the most pressing needs of the community.
- (ii) The Invested in Capital Assets fund reports resources spent on capital assets and therefore not available for future spending.
- (iii) The Flow Through Fund reports amounts that are available to be used for purposes specified by the donor.
- (iv) To shelter the Unrestricted Endowment Fund and the Restricted Endowment Fund from the effects of inflation, any annual income that is not used for administration or granting will be added to the base capital of the fund.

(b) Investments

The investments are recorded at their market value. Realized and unrealized gains and losses are recorded in the year they occur.

For the Year Ended December 31, 2011

2. Significant accounting policies (continued)

(c) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The related contribution is deferred and amortized on the same basis as the related capital assets are amortized.

Amortization is provided on a straight line basis of the estimated useful lives of the assets as follows:

Office furniture and equipment	5 years
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(d) Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. All donations and bequests are recorded as revenue only as received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Life insurance policies that have named the Foundation as owner/beneficiary are recorded at the cash surrender value of the policy. The increase in cash surrender value from year to year is recorded as a donation.

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

(e) Contributed services

Volunteers and organizations contribute many labour hours and other services to assist the Foundation in carrying out its fundraising, operational and granting activities. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements.

(f) Donations in kind

Donated materials, which would otherwise be paid for by the Foundation, are recorded at fair value when provided if such an amount can be reasonably determined.

3. Investments

The Foundation's funds are invested in cash, bonds and equities. Those investments are subject to market value fluctuations and the Foundation records these investments at market value. Accordingly, year end market values and investment income for the year include unrealized gains and losses on these investments.

Investments, stated at market value, consist of the following:

	2011	2010
Federal, provincial and corporate bonds	1,089,152	1,078,212
Equities	<u>746,420</u>	<u>690,336</u>
	<u>\$ 1,835,572</u>	<u>\$ 1,768,548</u>

4. Capital assets

	Cost	Amortization	Accumulated	Net Book	Net Book
		for Year	Amortization	Value 2011	Value 2010
Office furniture and equipment	10,017	1,298	10,017	\$ -	\$ 1,298

5. Financial instruments

The carrying values of cash, amounts receivable and accounts payable and accrued liabilities are considered to be representative of their respective fair values due to the immediate or short-term maturity of these financial instruments.

For the Year Ended December 31, 2011

6. Investment income

The assets held by the Foundation are pooled for investment purposes. The investment income is allocated to the General Fund and the Unrestricted and Restricted Endowment Funds in accordance with stated accounting policies.

	2011	2010
Investment income earned during the year:		
Interest and dividends	73,633	69,385
Realized gains (losses)	22,625	16,428
Unrealized gains (losses)	<u>(57,114)</u>	<u>91,536</u>
	39,144	177,349
Less: investment counsel fees	<u>13,029</u>	<u>11,923</u>
	<u>\$ 26,115</u>	<u>\$ 165,426</u>
Allocated to:		
General Administration	1,161	6,102
Unrestricted Endowment Fund	22,002	142,683
Restricted Endowment Fund	<u>2,952</u>	<u>16,641</u>
	<u>\$ 26,115</u>	<u>\$ 165,426</u>

7. Income taxes

The Foundation is claiming exemption from income taxes as a registered charitable organization as provided under section 149(1)(f) of the Income Tax Act (Canada).

8. Interest in life insurance policies

The insurance policies are for life insurance on the donors of the premiums. The Foundation is the legal owner and beneficiary of the policies.

Term life insurance policies: The organization has been named the owner/beneficiary on life insurance policies in the face amount of \$350,000 from insured donors to date. The annual premiums for these policies are funded by the donors and are recorded as donations to the general administration fund. Similar amounts are also recorded as donor life insurance policy premium expenses.

Other life insurance policies: The organization has been named the owner/beneficiary on life insurance policies in the face amount of \$625,000 from insured donors to date. The annual premiums for these policies are funded by the donors and are recorded as donations to the restricted endowment fund. Similar amounts are also recorded as donor life insurance policy premium expenses. These policies have a cash surrender value of \$81,337 as at December 31, 2011 (2010 : \$46,011) and therefore, this cash surrender value is shown under other assets on the organization's statement of financial position and included in the restricted endowment fund balance. The premiums paid by the donors during the year were \$19,996 (including pure life insurance premium costs of \$16,390).

For the Year Ended December 31, 2011

9. Disbursement excess

Under the provisions of the Income Tax Act, a public foundation must expend certain amounts annually on charitable activities carried on by it or by way of gift made by it, to qualified donees. This is defined as its disbursements quota. Amounts expended in excess of a charity's annual disbursements quota are defined as disbursement excess. This excess may be included in the computation of amounts expended on charitable activities and as gifts to qualified donees for the immediately preceding taxation year and up to five subsequent taxation years. The disbursement excess, which is subject to Canada Revenue Agency assessment, at the end of the current year is \$67,939 expiring as follows:

expiring in 2012	\$ 67,939
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10. Commitments

- a) In 2011, the Foundation approved three grants totalling \$11,500 for which funds distributions had not been issued during the year. It is expected that the funds for these approved grants will be distributed by the Foundation in the subsequent year and will be recognized in the financial statements once the distributions occur.
- b) The Foundation has an outstanding pledge to the Municipality of Lambton Shores - The Grand Bend Beach Enhancement Project for the Native Garden as follows:

November 15, 2014	\$ 5,000
November 15, 2015	7,500
November 15, 2016	7,500
November 15, 2017	<u>7,500</u>
	<u>\$ 27,500</u>