

NIAGARA COMMUNITY FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

PARTRIDGE IGGULDEN



PARTRIDGE IGGULDEN LLP
CHARTERED ACCOUNTANTS

WALLACE PARTRIDGE, C.A.
LAWRENCE IGGULDEN, HONS. B.A., FCA
ALAN SIMPSON, B.B.A., C.A.
ELISEO SINOPOLI, HONS. B. ADMIN., C.A.

May 1, 2013

To the Directors of
Niagara Community Foundation

We have completed the audits of Niagara Community Foundation for the years ended December 31, 2012 and 2011 and attached the following:

- Index -

Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Revenue, Expenses and Fund Balances	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-11
Supplementary Corporate Information	12

We shall be pleased to provide any further information you may require.

Lawrence A. Iggulden, Hons. B.A., FCA, for
PARTRIDGE IGGULDEN LLP
Chartered Accountants
Licensed Public Accountants



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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Niagara Community Foundation

We have audited the accompanying financial statements of Niagara Community Foundation, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of revenue, expenses and fund balances, and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

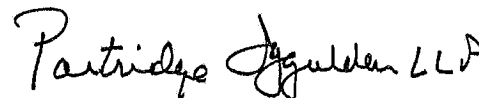
Basis for Qualified Opinion

In common with many charitable organizations, the completeness of donation revenues is not susceptible of satisfactory audit verification. Accordingly, our verification of the receipts from these sources was limited to a comparison of bank deposits with the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses and fund balances.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion, the financial statements present fairly, in all material respects, the financial position of Niagara Community Foundation as at December 31, 2012, December 31, 2011 and January 1, 2011 and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011, in accordance with Canadian accounting standards for not-for-profit organizations.

St. Catharines, Ontario
May 1, 2013



PARTRIDGE IGGULDEN LLP
Chartered Accountants
Licensed Public Accountants

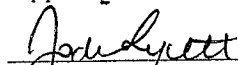
NIAGARA COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION


	<u>December 31,</u>		<u>January 1,</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
			(Note 3)
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 469,048	\$ 123,229	\$ 237,001
Accounts receivable	28,402	12,649	18,059
Bequest receivable (Note 4)	3,971,634	-	-
Prepaid expenses	22,421	7,626	11,059
	4,491,505	143,504	266,119
INVESTMENTS (Note 5)	16,830,091	13,004,176	11,080,124
FIXED ASSETS (Note 6)	6,243	4,995	6,567
	\$ 21,327,839	\$ 13,152,675	\$ 11,352,810

LIABILITIES AND FUND BALANCES

LIABILITIES			
Accounts payable and accrued charges (Note 7)	\$ 28,196	\$ 21,257	\$ 16,833
Grants payable	187,943	107,438	78,657
Deferred revenue	98,163	59,819	75,132
	314,302	188,514	170,622
FUNDS			
Operating fund (Note 9)	52,091	82,435	96,571
Endowment fund	20,961,446	12,881,726	11,085,617
	21,013,537	12,964,161	11,182,188
	\$ 21,327,839	\$ 13,152,675	\$ 11,352,810

Approved on behalf of the Board:

 _____, Director

 _____, Director

St. Catharines, Ontario
 May 1, 2013

NIAGARA COMMUNITY FOUNDATION

STATEMENTS OF REVENUE, EXPENSES AND FUND BALANCES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			2011		
	Operating Fund	Endowment Fund	Total	Operating Fund	Endowment Fund	Total
REVENUE						
Donations	\$ 15,147	\$ 6,682,238	\$ 6,697,385	\$ 26,198	\$ 2,747,223	\$ 2,773,421
Flow through donations	-	139,903	139,903	-	176,064	176,064
Investment income (Note 5)	-	1,268,509	1,268,509	47	524,123	524,170
Unrealized gain (loss) on investments (Note 5)	-	744,478	744,478	-	(566,471)	(566,471)
Special events and other fundraising	202,313	174,435	376,748	200,283	121,639	321,922
Special grants and projects (Note 10)	211,451	-	211,451	204,862	-	204,862
Trillium grant	461	-	461	639	-	639
	<u>429,372</u>	<u>9,009,563</u>	<u>9,438,935</u>	<u>432,029</u>	<u>3,002,578</u>	<u>3,434,607</u>
EXPENSES						
Administrative, governance, overhead	113,219	124,423	237,642	111,162	100,073	211,235
Charitable programs	77,972	581,409	659,381	67,925	916,938	984,863
Fund development	197,613	83,472	281,085	186,659	65,015	251,674
Special projects (Note 10)	211,451	-	211,451	204,862	-	204,862
	<u>600,255</u>	<u>789,304</u>	<u>1,389,559</u>	<u>570,608</u>	<u>1,082,026</u>	<u>1,652,634</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE FUND TRANSFER	(170,883)	8,220,259	8,049,376	(138,579)	1,920,552	1,781,973
FUND TRANSFER	<u>140,539</u>	<u>(140,539)</u>	<u>-</u>	<u>124,443</u>	<u>(124,443)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	(30,344)	8,079,720	8,049,376	(14,136)	1,796,109	1,781,973
FUND BALANCE, BEGINNING OF YEAR	<u>82,435</u>	<u>12,881,726</u>	<u>12,964,161</u>	<u>96,571</u>	<u>11,085,617</u>	<u>11,182,188</u>
FUND BALANCE, END OF YEAR	<u>\$ 52,091</u>	<u>\$ 20,961,446</u>	<u>\$ 21,013,537</u>	<u>\$ 82,435</u>	<u>\$ 12,881,726</u>	<u>\$ 12,964,161</u>

NIAGARA COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM (USED IN) OPERATIONS		
Excess of revenue over expenses for the years	\$ 8,049,376	\$ 1,781,973
Add (deduct) items not affecting cash		
Amortization	1,367	1,572
Donations in-kind, net of expense	(1,631,281)	(1,267,610)
Unrealized (gain) loss on investments (Note 5)	(744,478)	566,471
	5,674,984	1,082,406
Effects on cash from changes in operating assets and liabilities		
Accounts receivable	(15,753)	5,410
Bequest receivable	(3,971,634)	-
Prepaid expenses	(14,795)	3,433
Accounts payable and accrued charges	6,939	4,424
Grants payable	80,505	28,781
Deferred revenue	38,344	(15,313)
	1,798,590	1,109,141
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Capital expenditures	(2,615)	-
Transfers to investments, net of withdrawals	(1,450,156)	(1,222,913)
	(1,452,771)	(1,222,913)
INCREASE (DECREASE) IN CASH FOR THE YEARS	345,819	(113,772)
CASH, BEGINNING OF YEARS	123,229	237,001
CASH, END OF YEARS	\$ 469,048	\$ 123,229

NIAGARA COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. GENERAL

The Niagara Community Foundation is a public foundation registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. The Foundation serves the Niagara Peninsula by building permanently endowed charitable funds for the changing needs and opportunities of the community.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, and reflect the following policies:

Fund Accounting

The Foundation follows the deferral method of accounting for contributions and reports using fund accounting.

The Operating Fund reports resources available for the Foundation's general operating activities including fixed assets.

The Endowment Fund reports resources that are required to be maintained by the Foundation on a permanent basis.

Revenue Recognition

Contributions are recognized as revenue of the appropriate Fund as received except for certain contributions that are held in trust for the Foundation. Flow through donations are treated as deferred revenue until disbursed.

Gifts-in-kind

Gifts-in-kind are recognized when fair value can be reasonably estimated, the materials are used in the normal course of operations and the organization would have purchased the materials or services if they had not been contributed.

Investment Income

Interest income is recognized when earned, dividends when declared, and investment gains and losses when realized or unrealized based on the changes in the fair value of the investments as at the statement of financial position date.

Fixed Assets and Amortization

Fixed assets are recorded at cost. Expenditures for maintenance and repairs are charged to operating expenses. Amortization is calculated using the declining balance method at rates designed to amortize the cost of fixed assets as follows:

Equipment and furnishings	20%
Computer equipment	30%
Computer software	50%

Additions during the year are amortized from the month of acquisition. Disposals are depreciated until the month of disposition. Gains or losses on assets sold or otherwise disposed of are included in the statement of operations. Fixed assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

NIAGARA COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Disclosure of Allocated Expenses

The Foundation's operations include administrative, governance, overhead, charitable programs and funds development expenditures. The costs of each function include the costs of personnel that are directly related to carry out these activities.

The Foundation allocates salaries and benefits proportionately based on the time spent by personnel to carry out these activities.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, investments are reported at fair value, with any unrealized gains and losses reported in operations. 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. 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 and charged to the financial instrument for those measured at amortized cost.

Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

Effective January 1, 2012, the Foundation 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 Foundation's first financial statements prepared in accordance with these accounting standards for not-for-profit organizations (ASNPO) which has been applied retrospectively. The accounting policies set out in the preceding 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 in the preparation of an opening ASNPO statement of financial position at January 1, 2011 (the Foundation's date of transition).

The Foundation issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by CICA Handbook – Pre-changeover accounting standards. The adoption of ASNPO had no impact on the previously reported assets, liabilities and fund balances of the Foundation, and accordingly; no adjustments have been recorded in the comparative statements of financial position, statements of revenue, expenses and fund balances, and the statement of cash flows. Certain of the Foundation's disclosures included in these financial statements reflect the new disclosures required of ASNPO.

The Foundation has elected to use an exemption permissible under Section 1500 of the CICA Handbook, First-time Adoption with respect to measuring financial instruments at fair value at the date the transition. Investments are measured at fair value with gains and losses reported in revenues.

NIAGARA COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

4. BEQUEST RECEIVABLE

	<u>2012</u>	<u>2011</u>
Bequest	\$ 3,578,896	\$ -
Investment income earned on funds held in trust	<u>392,738</u>	<u>-</u>
	<u>\$ 3,971,634</u>	<u>\$ -</u>

The Niagara Community Foundation was named beneficiary in a significant Estate. The total bequest is estimated to be \$5,078,896. At December 31, 2012, the Foundation has received \$1,500,000 and recorded the remaining balance as a receivable due to the certainty of receipt.

In addition, the Foundation recorded the investment income entitlement from the Estate as at December 31, 2012. This amount totalling \$392,738 has been recorded in investment income.

5. INVESTMENTS AND INVESTMENT INCOME

	<u>2012</u>	<u>2011</u>
Toronto Community Foundation ("TCF")	\$ 15,326,088	\$ 12,504,126
RBC Dominion Securities ("RBC")	1,503,953	-
Temporary investments	<u>50</u>	<u>500,050</u>
	<u>\$ 16,830,091</u>	<u>\$ 13,004,176</u>

The majority of the Foundation's investments are pooled with the investments of the TCF and RBC. These funds are invested as follows:

	<u>2012</u>	<u>2011</u>
Cash	8.2 %	2.8 %
Canadian equities	29.2	25.4
Global equities	42.9	34.3
Bonds	14.2	36.4
Alternative strategies	<u>5.5</u>	<u>1.1</u>
	<u>100.0 %</u>	<u>100.0 %</u>

NIAGARA COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

5. INVESTMENTS AND INVESTMENT INCOME (continued)

Income (loss) on funds administered by the TCF and RBC on the Foundation's behalf are as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 461,369	\$ 349,092
Realized gains	<u>415,066</u>	<u>181,007</u>
	876,435	530,099
Loss on temporary investments	(664)	(5,976)
Income on funds held in trust (Note 4)	<u>392,738</u>	<u>-</u>
Income (loss) on the assets held by the Endowment Fund	1,268,509	524,123
Income on the assets held by the Operating Fund	<u>-</u>	<u>47</u>
Investment income (loss)	<u><u>\$ 1,268,509</u></u>	<u><u>\$ 524,170</u></u>

The unrealized gain (loss) on funds administered by the TCF and RBC on the Foundation's behalf amounts to \$744,478 (2011: \$(566,471)).

6. FIXED ASSETS

	<u>2012</u>			<u>2011</u>		
	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net Book Value</u>	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net Book Value</u>
Equipment and furnishings	\$ 12,771	\$ 8,232	\$ 4,539	\$ 10,781	\$ 7,595	\$ 3,186
Computer equipment	<u>9,628</u>	<u>7,924</u>	<u>1,704</u>	<u>9,003</u>	<u>7,194</u>	<u>1,809</u>
	<u><u>\$ 22,399</u></u>	<u><u>\$ 16,156</u></u>	<u><u>\$ 6,243</u></u>	<u><u>\$ 19,784</u></u>	<u><u>\$ 14,789</u></u>	<u><u>\$ 4,995</u></u>

7. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2012</u>	<u>2011</u>
Accounts payable	\$ 23,836	\$ 14,293
Source deductions payable	<u>4,360</u>	<u>6,964</u>
	<u><u>\$ 28,196</u></u>	<u><u>\$ 21,257</u></u>

8. COMMITMENT

The Foundation leases space in a building at 8 Church Street, St. Catharines with the lease expiring on September 30, 2015. Minimum lease and common area maintenance payments are as follows:

Year ending December 31, 2013	\$ 16,100
2014	16,100
2015	<u>12,075</u>
	<u><u>\$ 44,275</u></u>

NIAGARA COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

9. OPERATING FUND BALANCE

	<u>2012</u>	<u>2011</u>
Invested in fixed assets		
Fixed assets	\$ 6,243	\$ 4,995
Deferred contributions restricted toward fixed assets	<u>(1,254)</u>	<u>(1,715)</u>
	4,989	3,280
Unrestricted Funds	<u>47,102</u>	<u>79,155</u>
	<u>\$ 52,091</u>	<u>\$ 82,435</u>

10. SPECIAL GRANTS AND PROJECTS

Special grants are represented by amounts received to fund special projects for the Niagara Research & Planning Council ("NRPC"), Niagara Prosperity Initiative ("NPI") and Leadership Niagara ("LN"). Revenues and expenses for the years are as follows:

	<u>2012</u>			
	<u>NRPC</u>	<u>NPI</u>	<u>LN</u>	<u>Total</u>
Revenue	<u>\$ 164,266</u>	<u>\$ 47,185</u>	<u>\$ -</u>	<u>\$ 211,451</u>
Expenses				
Consulting	\$ -	\$ 37,765	\$ -	\$ 37,765
NRPC projects	82,841	-	-	82,841
Office and general	6,042	6,499	-	12,541
Salaries and wages	72,783	-	-	72,783
Travel	<u>2,600</u>	<u>2,921</u>	<u>-</u>	<u>5,521</u>
	<u>\$ 164,266</u>	<u>\$ 47,185</u>	<u>\$ -</u>	<u>\$ 211,451</u>
	<u>2011</u>			
	<u>NRPC</u>	<u>NPI</u>	<u>LN</u>	<u>Total</u>
Revenue	<u>\$ 151,004</u>	<u>\$ 41,712</u>	<u>\$ 12,146</u>	<u>\$ 204,862</u>
Expenses				
Consulting	\$ -	\$ 31,182	\$ 12,146	\$ 43,328
NRPC projects	69,139	-	-	69,139
Office and general	4,351	8,506	-	12,857
Salaries and wages	74,819	-	-	74,819
Travel	<u>2,695</u>	<u>2,024</u>	<u>-</u>	<u>4,719</u>
	<u>\$ 151,004</u>	<u>\$ 41,712</u>	<u>\$ 12,146</u>	<u>\$ 204,862</u>

NIAGARA COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

11. ALLOCATION OF EXPENSES

Salaries and benefits expenses incurred during the year amounted to \$192,681 (2011: \$181,429). They have been allocated on the Statement of Revenue, Expenses and Fund Balances as follows:

	2012	2011
Administrative, governance, overhead	\$ 40,559	\$ 36,946
Charitable programs	64,433	58,451
Fund development	87,689	86,032
	\$ 192,681	\$ 181,429

12. PLEDGES

As at December 31, 2012, pledges expected to be received in future years total \$391,452 (2011: \$870,688). In addition, the amount of lifetime pledges total \$15,400 annually. These amounts are not reflected in the financial statements.

13. LIFE INSURANCE POLICIES

The Foundation is the owner and beneficiary of certain life insurance policies. The face value of the policies is \$527,349 (2011: \$382,943). This amount is not reflected in the financial statements.

14. GIFTS-IN-KIND

During the year, the Foundation received \$1,663,659 (2011: \$1,302,466) of gifts-in-kind which are recorded in donations and special events revenue. The majority of gifts-in-kind relate to endowment donations of investment securities totalling \$1,631,281 (2011: \$1,267,610).

15. FINANCIAL RISKS AND CONCENTRATION OF RISK

The significant financial risk to which the Foundation is exposed is price risk. There have been no changes to risk exposures from prior year.

Price Risk Exposure

The price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Foundation is exposed to the effects of the market fluctuations related to its investments as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

NIAGARA COMMUNITY FOUNDATION
SUPPLEMENTARY CORPORATE INFORMATION
AS AT DECEMBER 31, 2012

Niagara Community Foundation was incorporated as a company without share capital under the laws of Canada on April 18, 2000 for the purpose of building permanently endowed charitable funds for changing needs and opportunities of the community.

HEAD OFFICE:

8 Church Street, Suite 301
 St. Catharines, Ontario
 L2R 3B3

DIRECTORS AND OFFICERS:

Jodi Lycett	- President
Madeline Woodhead	- Vice-President
Rena McDonald	- Treasurer
Christopher Wilson	- Secretary
Mel Groom	- Past-President
Sandy Annunziata	
William Charron	
Dino DiCienzo	
Denise Elliott	
John Fisher	
Rich Gark	
Alan Goddard	
Damian Goulbourne	
Paul Jones	
Kelly Robson	
Rob Welch	
Doug Whitty	

EXECUTIVE DIRECTOR:

Liz Palmieri

AUDITORS:

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