

Financial Statements of

**ABBOTSFORD COMMUNITY
FOUNDATION**

Years ended December 31, 2012 and 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Abbotsford Community Foundation,

We have audited the accompanying financial statements of the Abbotsford Community Foundation which comprise the statement of financial position as at December 31, 2012, December 31, 2011, and January 1, 2011, the statements of revenue, expenses and fund equity, and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes comprising 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.

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 an 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 our 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, we consider 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 Abbotsford Community Foundation as at December 31, 2012, December 31, 2011, and January 1, 2011, and the results of its operations 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. As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

DRAFT

Chartered Accountants

May 15, 2013
Abbotsford, British Columbia

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

	December 31, 2012	December 31, 2011	January 1, 2011
Assets			
Current assets:			
Cash	\$ 373,412	\$ 594,019	\$ 211,847
Accounts receivable	11,034	11,066	13,386
	<u>384,446</u>	<u>605,085</u>	<u>225,233</u>
Investments, measured at fair value (Note 2)	8,913,496	7,582,743	7,566,694
Insurance contracts (Note 3)	232,793	211,183	196,096
Equipment (Note 4)	8,233	3,385	6,756
	<u>\$ 9,538,968</u>	<u>\$ 8,402,396</u>	<u>\$ 7,994,779</u>
Liabilities and Fund Equity			
Liabilities			
Accounts payable and accrued liabilities (Note 5)	\$ 14,021	\$ 14,387	\$ 11,575
Grants payable	256,000	218,700	273,210
	<u>270,021</u>	<u>233,087</u>	<u>284,785</u>
Fund Equity			
Unrestricted (Note 6)	(433,541)	(448,877)	\$ (283,526)
Restricted funds:			
Endowments (Note 7)	9,246,116	8,249,324	\$ 7,939,644
Other	456,372	368,862	\$ 53,876
	<u>9,702,488</u>	<u>8,618,186</u>	<u>7,993,520</u>
Commitments (Note 8)			
	<u>\$ 9,538,968</u>	<u>\$ 8,402,396</u>	<u>\$ 7,994,779</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

_____ Director

_____ Director

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Revenue, Expenses and Fund Equity

Year ended December 31, 2012

	General Fund			Restricted Fund			December 31, 2012
	Administration	Other	Total	Endowment	Other	Total	
Revenue							
Investment revenue (loss)							
Investment income	\$ 31,528	\$ -	\$ 31,528	\$ -	\$ 372,442	\$ 372,442	\$ 403,970
Gain on investments	19,105	-	19,105	-	225,687	225,687	244,792
Increase in value of life insurance contracts	-	-	-	21,609	-	21,609	21,609
Less: Investment management fees	(2,664)	-	(2,664)	-	(31,473)	(31,473)	(34,137)
	47,969	-	47,969	21,609	566,656	588,265	636,234
Contributions							
Designated Funds	-	-	-	699,980	-	699,980	699,980
Flow through	-	-	-	-	254,280	254,280	254,280
Other	500	-	500	-	-	-	500
Scholarship and Bursary Funds	-	-	-	266,507	-	266,507	266,507
Unrestricted	-	-	-	-	-	-	-
	500	-	500	966,487	254,280	1,220,767	1,221,267
Administration fees							
Charged on restricted funds	147,740	-	147,740	-	(147,740)	(147,740)	-
Other	18,092	-	18,092	-	-	-	18,092
	165,832	-	165,832	-	(147,740)	(147,740)	18,092
Net fundraising revenue (Schedule)	6,666	-	6,666	-	-	-	6,666
Total revenue	220,967	-	220,967	988,096	673,196	1,661,292	1,882,259
Expenses							
Grants							
Community Grants Fund	-	-	-	-	24,000	24,000	24,000
Designated Funds	-	-	-	-	126,279	126,279	126,279
Scholarship and Bursary Funds	-	-	-	-	89,250	89,250	89,250
Annual Scholarship and Bursary Awards	-	-	-	-	111,150	111,150	111,150
Agricultural and True Sport Grants	-	-	-	-	226,311	226,311	226,311
	-	-	-	-	576,990	576,990	576,990
Administrative expenses							
Amortization	5,803	-	5,803	-	-	-	5,803
Contract fees	18,611	-	18,611	-	-	-	18,611
Insurance	2,497	-	2,497	-	-	-	2,497
Office and miscellaneous	22,981	-	22,981	-	-	-	22,981
Professional fees	12,406	-	12,406	-	-	-	12,406
Public relations and communications	4,670	-	4,670	-	-	-	4,670
Rent	18,691	-	18,691	-	-	-	18,691
Salaries and wages	110,209	-	110,209	-	-	-	110,209
Scholarship and bursary expenses	5,866	-	5,866	-	-	-	5,866
Telephone and utilities	3,897	-	3,897	-	-	-	3,897
	205,631	-	205,631	-	-	-	205,631
Total expenses	205,631	-	205,631	-	576,990	576,990	782,621
Excess (deficiency) of revenue over expenses	15,336	-	15,336	988,096	96,206	1,084,302	1,099,638
Fund balances, beginning of year	(67,009)	(381,868)	(448,877)	8,249,324	368,862	8,618,186	8,169,309
Interfund transfers	-	-	-	8,696	(8,696)	-	-
Fund balances, end of year	\$ (51,673)	\$ (381,868)	\$ (433,541)	\$ 9,246,116	\$ 456,372	\$ 9,702,488	\$ 9,268,947

See accompanying notes to financial statements.

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Revenue, Expenses and Fund Equity

Year ended December 31, 2011

	General Fund			Restricted Fund			December 31, 2011
	Administration	Other	Total	Endowment	Other	Total	
Revenue							
Investment revenue (loss)							
Investment income	\$ -	\$ 30,970	\$ 30,970	\$ -	\$ 323,070	\$ 323,070	\$ 354,040
Loss on investments	-	(26,764)	(26,764)	-	(279,188)	(279,188)	(305,952)
Increase in value of life insurance contracts	-	-	-	15,087	-	15,087	15,087
Less: Investment management fees	-	(2,920)	(2,920)	-	(30,466)	(30,466)	(33,386)
	-	1,286	1,286	15,087	13,416	28,503	29,789
Contributions							
Designated Funds	-	-	-	130,452	-	130,452	130,452
Flow through	-	-	-	-	476,555	476,555	476,555
Housing Fund	-	-	-	-	-	-	-
Other	-	-	-	345	-	345	345
Scholarship and Bursary Funds	-	-	-	62,850	-	62,850	62,850
Unrestricted	184,356	92,178	276,534	-	-	-	276,534
	184,356	92,178	276,534	193,647	476,555	670,202	946,736
Administration fees							
Charged on restricted funds	147,959	-	147,959	-	(147,959)	(147,959)	-
Other	17,289	-	17,289	-	-	-	17,289
	165,248	-	165,248	-	(147,959)	(147,959)	17,289
Net fundraising revenue (loss) (Schedule)	5,407	-	5,407	-	-	-	5,407
Total revenue	355,011	93,464	448,475	208,734	342,012	550,746	999,221
Expenses							
Grants							
Community Grants Fund	-	-	-	-	50,392	50,392	50,392
Designated Funds	-	-	-	-	48,440	48,440	48,440
Scholarship and Bursary Funds	-	-	-	-	97,900	97,900	97,900
Annual Scholarship and Bursary Awards	-	-	-	-	97,874	97,874	97,874
True Sport Grants	-	-	-	-	21,213	21,213	21,213
	-	-	-	-	315,819	315,819	315,819
Administrative expenses							
Amortization	3,371	-	3,371	-	-	-	3,371
Contract fees	39,681	-	39,681	-	-	-	39,681
Insurance	2,534	-	2,534	-	-	-	2,534
Office and miscellaneous	23,015	-	23,015	-	-	-	23,015
Professional fees	21,557	-	21,557	-	-	-	21,557
Public relations and communications	7,842	-	7,842	-	-	-	7,842
Rent	19,776	-	19,776	-	-	-	19,776
Salaries and wages	100,779	-	100,779	-	-	-	100,779
Scholarship and bursary expenses	1,670	-	1,670	-	-	-	1,670
Telephone and utilities	3,862	-	3,862	-	-	-	3,862
	224,087	-	224,087	-	-	-	224,087
Total expenses	224,087	-	224,087	-	315,819	315,819	539,906
Excess of revenue over expenses	130,924	93,464	224,388	208,734	26,193	234,927	459,315
Fund balances, beginning of year	(219,274)	(64,252)	(283,526)	7,939,644	53,876	7,993,520	7,709,994
Interfund transfers	21,341	(411,080)	(389,739)	100,946	288,793	389,739	-
Fund balances, end of year	\$ (67,009)	\$ (381,868)	\$ (448,877)	\$ 8,249,324	\$ 368,862	\$ 8,618,186	\$ 8,169,309

See accompanying notes to financial statements.

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Cash Flows

Years ended December 31, 2012 and December 31, 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 1,099,638	\$ 459,315
Items not involving cash:		
Amortization	5,803	3,371
Increase in value of life insurance contracts	(21,609)	(15,087)
Unrealized loss (gain) on investments	(207,074)	337,024
Changes in non-cash operating working capital:		
Accounts receivable	32	2,320
Accounts payable and accrued liabilities	(366)	2,812
Grants payable	37,300	(54,510)
	913,724	735,245
Investments:		
Purchase of equipment	(10,652)	-
Dividends and interest reinvested	(435,930)	(381,936)
Net withdrawals (deposits)	(687,749)	28,863
	(1,134,331)	(353,073)
Increase (decrease) in cash position	(220,607)	382,172
Cash position, beginning of year	594,019	211,847
Cash position, end of year	\$ 373,412	\$ 594,019

See accompanying notes to financial statements.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements

Years ended December 31, 2012 and December 31, 2011

General:

Abbotsford Community Foundation (the "Foundation") was established for the purpose of funding various charitable, educational, recreational and cultural organizations primarily in the Abbotsford area.

On January 1, 2012, the Foundation adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Handbook ("Not-For-Profit Standards"). These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions in Not-For-Profit Standards, the Foundation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards.

There were no adjustments to net assets as at January 1, 2011 or excess of revenue over expenses for the year ended December 31, 2011 as a result of the transition to Not-For-Profit Standards.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organisations. The Foundation's significant accounting policies are as follows:

(a) Basis of accounting and presentation:

The Foundation follows the restricted fund method of accounting for contributions, thereby recognizing contributions and investment income as revenue in the appropriate restricted funds as specified by donors. The fund classifications are:

(i) General Fund - Administration

General Fund - Administration represents unrestricted contributions allocated for administration, unrestricted fundraising proceeds, administrative fees charged to restricted funds, and administrative expenses.

(ii) General Fund - Other

General Fund - Other represents unrestricted contributions, unrestricted investment income and cumulative transfers to cover excess granting from the restricted funds.

(iii) Restricted Fund - Endowment

Restricted Fund - Endowment represents funds that are permanently restricted either by the donor or internally by the Foundation; these funds must be maintained in perpetuity.

Administration fees are charged on the Endowment Funds based on 1.5% of the endowed funds annually. The administration fees are deducted against the investment income of the endowment funds.

(iv) Restricted Fund - Other

Restricted Funds represent funds specifically designated by donors or internally by the Foundation, as well as restricted investment income earned on the endowment Funds.

Administration fees are charged on the restricted funds in accordance with specific agreements with the donors.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements

Years ended December 31, 2012 and December 31, 2011

1. Significant accounting policies (continued):

(b) Revenue recognition:

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.

Investment income is recorded in the appropriate fund on the accrual basis.

(c) Insurance contracts:

Insurance contracts are valued at their cash surrender value. Proceeds from insurance policies are recognized when the insurance proceeds are received.

(d) Equipment:

Equipment is recorded at cost. Equipment is amortized on a straight line basis using the following annual rates:

Computer equipment and software	3 years straight line
Office furniture and equipment	3 years straight line

(e) Income taxes:

The Foundation is registered as a charitable organization under the Income Tax Act (the "Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

(f) Contributed services and materials:

Contributed services and materials are not recognized in the financial statements due to the difficulty in determining fair value.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements

Years ended December 31, 2012 and December 31, 2011

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the financial statements 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 year. Significant items subject to such estimates and assumptions include accrued liabilities and the carrying amount of equipment. Actual results could differ from those estimates.

2. Investments, measured at fair value:

	December 31, 2012	December 31, 2011	January 1, 2011
Fixed income	\$ 3,699,086	\$ 3,992,555	\$ 4,329,727
Global equity	2,198,358	1,772,428	1,676,184
Money market	240,475	345,417	77,927
Canadian equity	2,775,577	1,472,343	1,482,856
	\$ 8,913,496	\$ 7,582,743	\$ 7,566,694

Included in gain on investments are unrealized gains of \$207,074 (2011 - \$337,024 unrealized loss)

3. Insurance contracts:

	December 31, 2012	December 31, 2011	January 1, 2011
Cash surrender value of life insurance policies	\$ 232,793	\$ 211,183	\$ 196,096

The Foundation is the beneficiary named under life insurance policies in the aggregate amount of \$732,792 (2011 - \$711,183; 2010- \$696,096).

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements

Years ended December 31, 2012 and December 31, 2011

4. Equipment:

December 31, 2012	Cost	Amortization	Net book value
Computer equipment and software	\$ 16,777	\$ 9,249	\$ 7,528
Office furniture and equipment	3,991	3,286	705
	\$ 20,768	\$ 12,535	\$ 8,233

December 31, 2011	Cost	Amortization	Net book value
Computer equipment and software	\$ 6,126	\$ 4,421	\$ 1,705
Office furniture and equipment	3,991	2,311	1,680
	\$ 10,117	\$ 6,732	\$ 3,385

January 1, 2011	Cost	Amortization	Net book value
Computer equipment and software	\$ 6,126	\$ 2,379	\$ 3,747
Office furniture and equipment	3,991	982	3,009
	\$ 10,117	\$ 3,361	\$ 6,756

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$2,823 (2011 - \$2,747; 2010 - \$nil), consisting of amounts payable for WCB and payroll related taxes.

6. Unrestricted Funds

	December 31, 2012	December 31, 2011	January 1, 2011
Administration Fund	\$ (51,673)	\$ (67,009)	\$ (219,274)
General Fund	(381,868)	(381,868)	(64,252)
	\$ (433,541)	\$ (448,877)	\$ (283,526)

7. Restricted Endowments

	December 31, 2012	December 31, 2011	January 1, 2011
Administration Fund	\$ 721,620	\$ 721,620	\$ 721,273
Community Grants Fund	1,402,025	1,331,921	1,331,921
Designated Funds	3,094,510	2,419,081	2,226,864
Housing Fund	144,327	144,327	138,285
Matching Fund	348	23,098	6,015
Scholarship and Bursary Funds	3,883,286	3,609,277	3,515,286
	\$ 9,246,116	\$ 8,249,324	\$ 7,939,644

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements

Years ended December 31, 2012 and December 31, 2011

8. Commitments:

At December 31, 2012, minimum annual lease payments under a lease agreement for the office premises expiring August 31, 2013 are \$13,328.

9. Capital disclosures:

The Foundation receives its principal source of capital through fundraising activities, donations, and investment income earned on endowment funds. The Foundation defines capital to be fund equity which includes amounts held in the funds. Capital contributed to the endowment funds are maintained in perpetuity. In carrying out its purpose, the Foundation regularly distributes income earned on capital to fund various charitable, educational, recreational and cultural organizations primarily in the Abbotsford area.

The Foundation is not subject to any other external capital requirements or restrictions other than as disclosed in note 1(a)(iii), 1(a)(iv) and 7 related to the restricted funds.

10. Financial Risks:

The Foundation's investment revenue is derived from investments in various securities. Market fluctuations could have a significant impact on the valuation of investments and investment revenue.

ABBOTSFORD COMMUNITY FOUNDATION

Schedule of Net Fundraising Revenue

Years ended December 31, 2012 and December 31, 2011

	2012	2011
Revenue		
Ticket sales	\$ 3,895	\$ 6,050
Sponsorships	6,500	3,500
Auction	848	1,383
Other revenue	-	400
Total revenue	11,243	11,333
Expenses		
Advertising	-	272
Catering	3,706	5,239
Contract services	-	-
Entertainment	-	-
Other	871	415
Total expenses	4,577	5,926
Net fundraising revenue	\$ 6,666	\$ 5,407