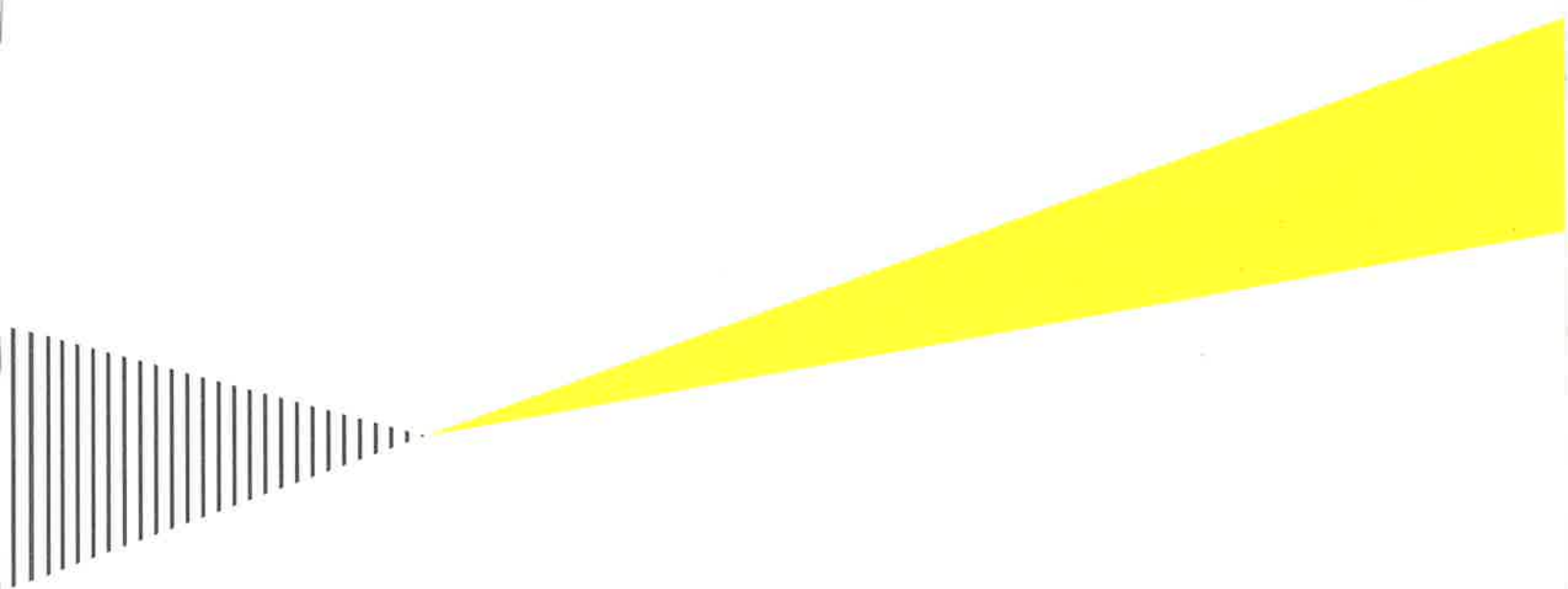


Financial Statements

Toronto Foundation

March 31, 2015



Building a better
working world

INDEPENDENT AUDITORS' REPORT

To the Members of the
Toronto Foundation

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the **Toronto Foundation**, which comprise the statement of financial position as at March 31, 2015 and the statements of revenue and expenses and 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 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 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 auditors' 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 auditors 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 the **Toronto Foundation** as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Toronto, Canada
June 17, 2015

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto Foundation

STATEMENT OF FINANCIAL POSITION

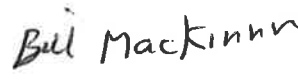
As at March 31

	2015 \$	[000's]	2014 \$
			<i>[restated - note 4[c]]</i>
ASSETS			
Cash and cash equivalents	2,992		450
Short-term investments <i>[note 3[b]]</i>	16,188		9,753
Investments <i>[note 3[c]]</i>	301,630		208,181
Other assets <i>[note 7]</i>	576		456
	321,386		218,840
LIABILITIES AND FUND BALANCES			
Liabilities			
Grants and accounts payable	253		829
Funds held on behalf of other parties <i>[note 4]</i>	65,858		54,496
Other funds <i>[note 5]</i>	74,998		6,971
Total liabilities	141,109		62,296
Fund balances			
Endowment Fund <i>[note 8]</i>	151,974		137,475
Restricted Fund <i>[note 9[a]]</i>	25,376		17,043
Operating Fund	2,927		2,026
Total fund balances	180,277		156,544
	321,386		218,840

See accompanying notes

On behalf of the Board:


Director


Director

Toronto Foundation

STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES

Year ended March 31

	Endowment Fund		Restricted Fund		Operating Fund		Total
	2015	2014	2015	2014	2015	2014	
	\$	\$	\$	\$	\$	\$	
	[000's]						
Revenue							<i>restated</i>
Donations	1,221	1,539	15,385	7,620	41	42	9,201
Investment income [notes 3[e] and 10]	6,196	5,792	13,551	12,405	925	550	18,747
Administrative fees	(1,243)	(1,143)	(1,503)	(1,385)	3,382	3,013	485
	6,174	6,188	27,433	18,640	4,348	3,605	37,955
Expenses							- note 4[c]]
General and administrative [note 12]	—	—	—	—	2,198	2,202	2,202
Community program	—	—	320	162	533	495	853
External investment management and custody fees	29	30	44	57	803	657	744
	29	30	364	219	3,534	3,354	3,603
Excess of revenue over expenses before grants and transfer	6,145	6,158	27,069	18,421	814	251	24,830
Grants [note 9[b]]	—	—	10,295	7,251	—	—	7,251
Transfer to another Community Foundation	—	700	—	—	—	—	700
Excess of revenue over expenses for the year	6,145	5,458	16,774	11,170	814	251	16,879
Fund balances beginning of year	137,475	121,737	17,043	16,236	2,026	1,692	139,665
Interfund transfers [note 11]	8,354	10,280	(8,441)	(10,363)	87	83	—
Fund balances end of year	151,974	137,475	25,376	17,043	2,927	2,026	156,544

See accompanying notes

Toronto Foundation

STATEMENT OF CASH FLOWS

Year ended March 31

	2015	2014
	\$	[000's] \$
		<i>[restated - note 4[c]]</i>
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	23,733	16,879
Add (deduct) items not involving cash		
Reinvested investment income	(19,919)	(18,734)
External investment management and custody fees	634	584
Changes in non-cash balances related to operations		
Other assets	(120)	36
Grants and accounts payable	(576)	92
Funds held on behalf of other parties	11,362	(4,017)
Other funds	68,027	106
Cash provided by (used in) operating activities	83,141	(5,054)
INVESTING ACTIVITIES		
Net increase in short-term investments	(6,435)	(1,481)
Net transfers from (to) external money managers	(74,164)	6,525
Cash provided by (used in) investing activities	(80,599)	5,044
Net increase (decrease) in cash and cash equivalents during the year	2,542	(10)
Cash and cash equivalents, beginning of year	450	460
Cash and cash equivalents, end of year	2,992	450

See accompanying notes

Toronto Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

1. PURPOSE OF THE FOUNDATION

The Toronto Foundation [the “Foundation”] is incorporated without share capital under the laws of Ontario. The objective of the Foundation is to connect philanthropy with community needs and opportunities to make Toronto the best place to live, work, learn, and grow.

The Foundation is a public foundation registered under the Income Tax Act (Canada) [the “Act”] and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada [“CPA Canada”] Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with restricted purpose are expended for the purpose for which they are provided.

For financial reporting purposes, the accounts have been classified into the following funds:

[a] Endowment Fund

The Endowment Fund comprises the resources that are required by the donor to be maintained by the Foundation on a permanent basis. In addition, the Board of Directors [the “Board”] has a policy to transfer certain donations to the Endowment Fund where there is no current intention of making the original donation available for grants.

[b] Restricted Fund

The Restricted Fund comprises the resources that are to be used for specific purposes as specified by the donor or project finder.

[c] Operating Fund

The Operating Fund comprises the unrestricted resources available for immediate purposes. The use of these funds is at the discretion of the Foundation’s Board.

Toronto Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Grants and bequests are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received. Contributions which the donor has required to be held in perpetuity are recognized as revenue in the Endowment Fund. Restricted contributions are recognized as revenue in the Restricted Fund. Unrestricted contributions are recognized as revenue in the Operating Fund.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized capital gains and losses, is recorded in the statement of revenue and expenses and changes in fund balances.

Financial instruments

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Foundation designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of revenue and expenses and changes in fund balances in the period during which they are incurred.

Investments in fixed income securities not designated to be measured at fair value and equity instruments not quoted in an active market are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

All transactions are recorded on a trade date basis.

Other financial instruments, including accounts receivable and grants and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Grants

Grants are recorded when approved by the Foundation's Board and any terms and conditions have been met by the grantee.

Toronto Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

Contributed goods and services

Volunteers contribute a substantial number of hours each year to assist the Foundation in carrying out its activities. Because of the difficulty in determining fair value, contributed goods and services are not recognized in the financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term deposits with a term to maturity of 90 days or less at the date of purchase. Cash and cash equivalents held for investing rather than liquidity purposes are classified as investments.

Foreign currency translation

Foreign currency denominated monetary assets and liabilities have been translated into Canadian dollars at the rate of exchange prevailing at the statement of financial position date. Foreign currency denominated revenue and expenses are translated at the rates prevailing on the transaction date. Gains and losses on monetary assets and liabilities resulting from translation of foreign currencies are recognized in the statement of revenue and expenses and changes in fund balances during the year in which they arise.

3. INVESTMENTS

[a] The Foundation's objective for investments under its management is to generate a total return that achieves the granting objectives of the Foundation as set each year by its Board, recovers the cost of administering the funds, protects the purchasing power of the capital, and establishes a reserve for future market declines. The Foundation manages its investment strategy through an outsourced Chief Investment Officer.

The Foundation holds a significant portion of its investments in a pool that invests in pooled funds managed by external investment managers. Investment income (loss) earned on investments held by the Foundation in this pool is allocated to the Funds based on monthly market values. Certain endowed and restricted Funds are invested outside the Foundation's main investment pool.

[b] Short-term investments, which are valued at amortized cost, consist of fixed income securities with a weighted average term to maturity of 217 days [2014 – 217 days] and a weighted average yield of 1.38% [2014 – 1.4%].

Toronto Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

[c] Total investments, which include funds held on behalf of other parties invested by the Foundation [note 4], are measured at fair value and consist of the following:

	2015		2014	
	\$	%	\$	%
	[000's]		[000's]	
Cash and cash equivalents	3,916	1	3,843	2
Fixed income securities	111,276	37	74,126	36
Canadian equities	38,540	13	28,824	14
U.S. equities	33,711	11	33,347	16
Other foreign equities	90,207	30	57,039	27
Canadian commercial mortgage funds	13,956	5	-	-
Other investments [note 3[d]]	10,024	3	11,002	5
Total investments	301,630	100	208,181	100

Investments in pooled funds have been allocated to the appropriate asset classes.

- [d] Other investments include the fair market value of certain alternative investments, including short positions, forward currency contracts and options.
- [e] During the current fiscal year, there was a cash distribution in connection with a hedge fund investment of \$238,860 which is included in investment income. The book value of this investment was reduced to zero in 2014.

4. FUNDS HELD ON BEHALF OF OTHER PARTIES

- [a] Funds held on behalf of other parties represent funds included in the investment assets of the Foundation invested on behalf of these parties. There is an offsetting liability amount, as these funds may be withdrawn at any time.

Toronto Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

[b] Funds of the following organizations are invested with the Foundation's funds:

	2015	2014
	\$	\$
	[000's]	[restated – note 4[c]]
Niagara Community Foundation	22,041	18,488
Boys & Girls Clubs of Canada	7,552	7,066
Helen McCrea Peacock Foundation	5,234	4,828
Toronto Zoo Development Funds [note 4[c]]	4,829	2,202
Napanee District Community Foundation	3,532	2,754
Campbellford/Seymour Municipal Foundation	3,422	3,210
Campbellford/Seymour Community Foundation	3,196	3,008
Ontario Society for the Prevention of Cruelty to Animals	2,821	2,509
United Way of St. Catharines and District	2,753	2,429
Huronian Community Foundation	2,507	2,136
Community Foundation of Durham Region	2,360	2,097
Unison Health & Community Services Fund	1,577	1,042
Credit Counselling of Regional Niagara	947	—
Amici Camping Charity	901	827
Muskoka Community Foundation	786	358
Haynes-Connell Foundation	612	532
Metropolitan Community Church	521	365
AFP Foundation for Philanthropy – Canada	267	238
Imagine Canada	—	407
Total funds held on behalf of other parties	65,858	54,496

The receipts and disbursements of these funds are not reflected in the statement of revenue and expenses and changes in fund balances.

Toronto Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

- c) Prior to fiscal year 2015, the Foundation recorded the Toronto Zoo Development Funds in the Restricted Fund. In fiscal 2015, the Foundation determined that these funds were more appropriately reflected as part of funds held on behalf of other parties. As a result of this change, the Restricted Fund balance as at April 1, 2013 decreased by \$1,336,829 and the funds held on behalf of other parties increased by \$1,336,829. For the year ended March 31, 2014, excess of revenue over expenses recorded in the statement of revenues and expenses decreased by \$865,024, which consists of a decrease in donations of \$651,837, investment income of \$247,375, administrative fees of \$23,475 and external investment management fees of \$10,713. As at March 31, 2014, the funds held on behalf of other parties increased by \$2,201,853.

5. OTHER FUNDS

- [a] Other funds represent funds included in the investment assets of the Foundation that have been contributed to the Foundation. There is an offsetting liability as these funds may be withdrawn at any time and/or the disbursement of the funds is not at the discretion of the Foundation.

- [b] Other funds consist of the following:

	2015		2014
	\$	[000's]	\$
Toronto TO2015 Legacy Fund <i>[note 5[c]]</i>	67,861		—
IPIL residual funds <i>[note 5[d]]</i>	7,137		6,971
Total other funds	74,998		6,971

- [c] The legacy of the Toronto 2015 Pan and Parapan American Games [“Games”] was identified as a key priority by federal and provincial governments and all Games partners. With the signing of the Multi-Party Agreement (“MPA”) for the Games in November 2009, the parties to the MPA agreement agreed to establish the \$70,000,000 Legacy Fund with the Governments of Canada and Ontario contributing up to \$65,000,000 and \$5,000,000, respectively.

Through contribution agreements entered into between the Government of Canada and the Government of Ontario [the “Contribution Agreements”], the Foundation received funds to establish the Legacy Fund in January 2015 and is responsible for managing and disbursing funds from the Legacy Fund towards Eligible Costs (as defined in the Contribution Agreements) based on recommendations from representatives appointed by the Government of Canada, the Government of Ontario, the City of Toronto, the Canadian Olympic

Toronto Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

Committee and the Canadian Paralympic Committee. The facilities that will benefit from disbursements from the Legacy Fund include: the Toronto Pan Am Sports Centre; the Pan Am and Parapan Am Athletics Stadium and the Pan Am and Parapan Am Velodrome.

[d] By Court Order dated June 1, 2007, the Foundation was named the Residual Beneficiary of a trust which held the remaining assets of Investment Properties International Limited ["IPIL"]. Effective December 31, 2011, assets with a value of US\$6,000,000 were transferred to the Foundation, and the Foundation became entitled to all of the investment income realized from these assets, including interest, dividends, and realized gains. Until December 31, 2021, the Foundation is prohibited from using the capital for any reason other than to pay out legitimate claims of the remaining holders of shares in IPIL. On January 1, 2022, the Foundation will become entitled absolutely to all income and the capital that remains undistributed on that date. The market value of these funds at March 31, 2015 amounts to \$7,136,789 [2014 \$6,970,528].

The investment income realized from these assets is recognized in the Operating Fund as revenue. Unrealized gains and losses, as well as claims and investment management fees related to these funds, are added to or deducted from other funds and are not reflected in the Foundation's statement of revenue and expenses and changes in fund balances.

6. UNITED WAY TORONTO

In June 2007, a separate account in the name of the United Way Toronto was established to hold investments which had been previously held in the Foundation's account. The Foundation acts as trustee for these investments which, as at March 31, 2015, totalled \$90,345,408 [2014 - \$79,640,928]. These investments are not recorded in these financial statements.

7. OTHER ASSETS

Other assets include accounts receivable, prepaid expenses, capital equipment and donated assets intended to be sold.

As at March 31, 2015, the carrying value of donated assets intended to be sold included in other assets amounts to \$211,638 [2014 - \$186,335].

Toronto Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

8. ENDOWMENT FUND

[a] The Endowment Fund consists of the following:

	2015 \$	2014 \$
		[000's]
Donor Advised Funds		
Funds where grants are distributed to charitable organizations designated by donors at the time the Fund is established or advised annually by donors	118,422	106,945
Community Funds		
Funds where grants are distributed at the discretion of the Foundation's Board	10,721	9,643
Funds where grants are distributed for use in a field of interest at the discretion of the Foundation's Board	18,592	16,958
Funds where grants have been designated for operations by the donor	4,239	3,929
	151,974	137,475

[b] The restrictions on the Endowment Fund are as follows:

	2015 \$	2014 \$
		[000's]
Externally endowed in perpetuity	69,256	63,120
Internally endowed Restricted Term Funds	82,718	74,355
	151,974	137,475

Toronto Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

- [c] The Foundation has a policy with the objective of protecting the real value of the endowments by limiting the amount of income made available for spending [granting and operating costs] and requiring the reinvestment into the Endowment Fund of income not made available. During the year, 3.5% [2014 – 3.5%] of the market value of most of the fund balances was made available for granting purposes. Further, an amount representing 1.5% – 2.0% [2014 – 1.5% – 2.0%] of the market value of most of the fund balances was made available to cover investment management fees, and program and administrative expenses. In any year, should net investment income not be sufficient to fund grants or expenses, an amount is transferred from the Endowment Fund to the Restricted and Operating Funds to cover them.

9. RESTRICTED FUND

- [a] The Restricted Fund balance consists of the following amounts available for restricted purposes:

	2015	2014
	\$	\$
	[000's]	
Unspent amounts available for grants attributable to externally endowed Funds	647	826
Unspent amounts available for grants attributable to Restricted Term Funds	1,149	1,036
Unspent Restricted Flowthrough Funds	23,580	15,181
Total Restricted Fund balance	25,376	17,043

- [b] Grants were funded as follows:

	2015	2014
	\$	\$
	[000's]	
Grants from Endowment Fund earnings	3,536	3,545
Grants from Restricted Flowthrough Funds	6,441	3,583
Grants from project funds	318	123
	10,295	7,251

Toronto Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

10. INVESTMENT INCOME

The following summarizes the allocation of investment income according to the Foundation's investment policy:

	2015			Total
	Endowment	Restricted	Operating	
	Fund	Fund	Fund	
	\$	\$	\$	\$
	[000's]			
Allocation for granting	—	5,906	—	5,906
Allocation for administrative fees	1,243	1,503	—	2,746
Allocation for capital preservation	4,953	6,142	—	11,095
Allocation for operations	—	—	925	925
Total investment income	6,196	13,551	925	20,672

	2014			Total
	Endowment	Restricted	Operating	
	Fund	Fund	Fund	
	\$	\$	\$	\$
	[000's]			
Allocation for granting	—	5,554	—	5,554
Allocation for administrative fees	1,143	1,385	—	2,528
Allocation for capital preservation	4,649	5,466	—	10,115
Allocation for operations	—	—	550	550
Total investment income	5,792	12,405	550	18,747

Toronto Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

11. TRANSFERS BETWEEN FUNDS

Interfund transfers consist of the following:

	2015		
	Endowment Fund \$	Restricted Fund \$	Operating Fund \$
		[000's]	
Transfer of new donations to be managed as endowments	2,216	(2,216)	—
Transfer for capital preservation	6,142	(6,142)	—
Other transfers	(4)	(83)	87
	8,354	(8,441)	87

	2014		
	Endowment Fund \$	Restricted Fund \$	Operating Fund \$
		[000's]	
Transfer of new donations to be managed as endowments	4,410	(4,410)	—
Transfer for capital preservation	5,466	(5,466)	—
Other transfers	404	(487)	83
	10,280	(10,363)	83

Toronto Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

12. GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
	\$	\$
		[000's]
Salaries and wages	1,047	1,078
Consultants	110	57
Office	442	431
Marketing and advertising	182	120
Fundraising	374	358
Other	43	158
	2,198	2,202

13. INTEREST IN LIFE INSURANCE POLICIES

The Foundation is the assignee and owner of life insurance policies with a cash surrender value of \$747,349 [2014 – \$730,484]. No value related to these policies is included in these financial statements.

14. COMMITMENTS

The Foundation is required to make future minimum annual lease payments for its premises as follows:

	\$
2016	64,396
2017	65,501
2018	67,395
2019	28,410
	225,702

15. CREDIT FACILITY

On March 31, 2011, the Foundation entered into a demand operating facility agreement with a commercial bank for a \$750,000 revolving demand loan bearing interest at the bank's prime lending rate plus 0.5%, against which the assets held for the Operating Fund balance have been pledged as security. As at March 31, 2015, the bank prime rate was 2.85% [March 31, 2014 – 3.0%] and at this date no amounts had been drawn on this facility.

Toronto Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

16. FINANCIAL INSTRUMENTS

The Foundation is exposed to various financial risks through transactions in financial instruments.

Currency risk

The Foundation is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

Credit risk

The Foundation is exposed to credit risk in connection with its short-term investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Interest rate risk

The Foundation is exposed to interest rate risk with respect to its short-term and fixed income investments and pooled funds that hold fixed income securities because the fair value will fluctuate due to changes in market interest rates.

Other price risk

The Foundation is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in equity securities and pooled funds.

17. COMPARATIVE FINANCIAL STATEMENTS

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

