THE CENTRE ON PHILANTHROPY

Financial Statements
(With Independent Auditors' Report Thereon)

June 30, 2012

KPMG Audit Limited
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INDEPENDENT AUDITORS' REPORT

To the Members of The Centre on Philanthropy

We have audited the accompanying financial statements of The Centre on Philanthropy ("The Centre"), which comprise the balance sheet as at June 30, 2012, the statements of operations, changes in net assets and cash flows for the year then ended, 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 accounting principles generally accepted in Bermuda and Canada, 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 auditing standards generally accepted in Bermuda and Canada. 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 Centre'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 Centre'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 Centre as at June 30, 2012, and its results of operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

KPMG

Chartered Accountants
Hamilton, Bermuda
September 18, 2012

THE CENTRE ON PHILANTHROPY

Balance Sheet

June 30, 2012
(Expressed in Bermuda Dollars)

	2012	2011
Assets		
Current assets		
Cash and cash equivalents (Note 3)	$ 575,370	$ 545,540
Accounts receivable	–	1,685
Total current assets	575,370	547,225
Funds held in escrow (Note 4)	689,182	2,348,525
Investment (Note 5)	104,253	103,110
Capital assets (Note 6)	56,885	85,533
Total assets	$ 1,425,690	$ 3,084,393
Liabilities and net assets		
Current liabilities		
Funds held in escrow (Note 4)	$ 689,182	$ 2,348,525
Accounts payable and accrued liabilities	67,161	63,718
Deferred contributions (Note 7)	87,358	58,249
Membership fees received in advance	96,100	81,300
Administration fees received in advance	–	94,400
Total current liabilities	939,801	2,646,192
Net assets		
Restricted net assets (Note 9)	141,816	136,721
Unrestricted net assets	344,073	301,480
Total net assets	485,889	438,201
Total liabilities and net assets	$ 1,425,690	$ 3,084,393

See accompanying notes to financial statements

Signed on behalf of the Board

Brian Madeiros
Chairman

Jane Edgett
Treasurer

THE CENTRE ON PHILANTHROPY

Statement of Operations

Year ended June 30, 2012
(Expressed in Bermuda Dollars)

	2012	2011
Revenues		
Membership dues	$ 325,400	$ 328,275
Contributions		
Unrestricted grants and donations	195,410	225,645
Contributed goods and services (Note 8)	56,193	59,787
Deferred contributions recognized (Note 7)	400	23,930
Restricted grants and donations	–	66,000
	252,003	375,362
Programs		
Workshops and seminars	48,614	69,935
Other revenues		
Sponsorship	259,500	268,516
Administration	101,900	102,600
Other	4,880	25,575
Investment income	1,396	1,860
	367,676	398,551
Total revenues	993,693	1,172,123
Expenses		
Programs		
Volunteer	61,978	23,994
Training and education	58,359	26,281
Sector information	37,505	46,099
Marketing and awareness	7,016	24,708
Sector integration	3,744	168,281
	168,602	289,363
Wages and benefits	513,003	533,112
Professional fees (Note 8)	118,240	116,221
Occupancy	81,995	106,241
General and administrative	35,307	39,733
Depreciation	28,858	28,788
Total expenses	946,005	1,113,458
Excess of revenues over expenses	$ 47,688	$ 58,665

See accompanying notes to financial statements

THE CENTRE ON PHILANTHROPY

Statement of Changes in Net Assets

Year ended June 30, 2012
(Expressed in Bermuda Dollars)

	Restricted net assets (Note 9)								
	Endowment	Donor Forum	Bermuda-scholarships.com	Bermuda Civil Society Project	Sporting Club Project	Total	Unrestricted assets	2012 Total	2011 Total
Balance beginning of year	$ 103,110	$ 10,156	$ 22,156	$ 1,299	$ –	$ 136,721	$ 301,480	$ 438,201	$ 379,536
Excess (deficit) of revenues over expenses	1,143	–	(2,155)	(1,299)	7,406	5,095	42,593	47,688	58,665
Balance at end of year	$ 104,253	$ 10,156	$ 20,001	$ –	$ 7,406	$ 141,816	$ 344,073	$ 485,889	$ 438,201

See accompanying notes to financial statements

THE CENTRE ON PHILANTHROPY

Statement of Cash Flows

Year ended June 30, 2012
(Expressed in Bermuda Dollars)

	2012	2011
Cash flows from operating activities		
Excess of revenues over expenses	$ 47,688	$ 58,665
Adjustments for:		
Depreciation	28,858	28,788
Gain on investment	(1,143)	(1,789)
Donation of capital assets	–	(24,140)
Changes in non-cash operating working capital balances:		
Accounts receivable	1,685	1,854
Prepaid expenses	–	1,186
Accounts payable and accrued liabilities	3,443	(14,767)
Deferred contributions	29,109	(114,944)
Membership fees received in advance	14,800	(14,500)
Administration fees received in advance	(94,400)	94,400
Net cash provided by operating activities	30,040	14,753
Cash flows from investing activities		
Purchase of capital assets	(210)	(59,928)
Net cash used in investing activities	(210)	(59,928)
Net increase (decrease) increase in cash and cash equivalents	29,830	(45,175)
Cash and cash equivalents at beginning of year	545,540	590,715
Cash and cash equivalents at end of year	$ 575,370	$ 545,540

See accompanying notes to financial statements

1. **Purpose of the organization**

The Centre on Philanthropy ("The Centre") operates as a not-for-profit coalition of corporations, foundations, associations, organizations, voluntary groups and individuals whose mission is to strengthen the philanthropic spirit of thoughtful and responsible volunteering, charitable giving and non-profit initiatives shared throughout the community.

The Centre was established in 1991 as an unincorporated association, and registered on October 23, 1992 as a charitable organization in accordance with The Bermuda Charities Act 1978.

On February 25, 2000 The Centre's assets, liabilities and operations were combined into a new corporate entity, The Centre on Philanthropy, a company limited by guarantee.

2. **Significant accounting policies**

The financial statements of The Centre have been prepared in accordance with generally accepted accounting principles in Bermuda and Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include estimating useful lives of capital assets and the impairment of accounts receivable. Actual results could differ from those estimates. The following are the significant accounting policies adopted by The Centre:

a) Revenue recognition

The Centre follows the deferral method of accounting for contributions under which restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributed capital assets are deferred and recognized as revenue at the same rate as the capital asset is depreciated.

Revenues from sales of publications are recognized at the time of sale. Seminar and workshop fees are recognized as revenue when the seminars are held. Membership dues and sponsorship funds are recognized in the year that the membership fee or sponsored event is related to on the accruals basis. All other income is recognized on the accruals basis when earned.

b) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, as follows:

Computer equipment	3 years
Office equipment	5 years
Leasehold improvements	Over the lease term

Artwork is considered to be an appreciable asset with a residual value in excess of cost or fair value at the date acquired, and therefore no depreciation charge has been provided for the year ended June 30, 2012 (2011 - $nil).

2. **Significant accounting policies** (continued)

b) Capital assets (continued)

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

c) Contributed goods and services

Contributed goods and services are recorded at their fair value. Because of the difficulty of determining their fair value, contributed services of volunteers are not recognized in these financial statements.

d) Financial instruments

All financial instruments are classified by management as held-for-trading, held-to-maturity, loans and receivables, available-for-sale or other financial liabilities.

The Centre has classified its investment as held-to-maturity, cash and cash equivalents as held-for-trading, and accounts receivable and other receivables as loans and receivables.

Loans and receivables and held-to-maturity financial assets are recorded at amortized cost adjusted for any impairment.

All current and trade accounts payable are classified as other financial liabilities and are recorded at amortized cost.

Transaction costs that are directly attributable to the acquisition of securities are not considered significant and are expensed when paid. Investment purchases and sales transactions are accounted for on the settlement date. Interest and dividend income are recorded on the accruals basis.

e) Future accounting standards

In December 2010 the Canadian Accounting Standards Board issued new accounting standards for not-for-profit organizations as Part III of the CICA Handbook effective for accounting periods beginning on or after January 1, 2012. The Centre will adopt these new standards for its June 30, 2013 financial statements and does not anticipate any significant changes to the current accounting policies as a result.

3. **Cash and cash equivalents**

The Centre's cash and cash equivalents are held by two financial institutions in Bermuda. Interest earned on cash and cash equivalents during the year was at an effective rate of nil% (2011 - nil%) per annum.

4. **Funds held in escrow**

The Centre acts as fiduciary agent for unrelated organizations. In this capacity, The Centre holds cash to be distributed to named grantees under certain contractual conditions. Total cash held under these contracts as at June 30, 2012 is $689,182 (2011 - $2,348,525). A corresponding amount due to these grantees is included in current liabilities.

5. **Investment**

The Centre's investment is held in a restricted endowment fund (Note 9). The fair value of the endowment fund at June 30, 2012 was $104,253 (2011 - $103,110).

The funds are invested in a 6-month term deposit at Capital G Bank maturing on December 29, 2012 bearing interest at 0.80% (2011 - 1.10%) per annum.

6. **Capital assets**

	Cost	Accumulated depreciation	2012 Net	2011 Net
Computer equipment	$ 64,211	$ 51,449	$ 12,762	$ 27,983
Office equipment	54,491	26,542	27,949	39,294
Artwork	9,930	–	9,930	9,930
Leasehold improvements	10,407	4,163	6,244	8,326
	$ 139,039	$ 82,154	$ 56,885	$ 85,533

The cost and accumulated depreciation of capital assets at June 30, 2011 were $138,829 and $53,296 respectively. During the year ended June 30, 2012 there were no donated capital assets received (2011 - $33,900).

7. **Deferred contributions**

Deferred contributions represent externally restricted unspent resources relating to donations received in advance, pledges for future years, contributed assets, net disbursements for Give Back Games and restricted projects. Changes in the deferred contributions balance are as follows:

	2012	2011
Balance at beginning of year	$ 58,249	$ 173,193
Amounts received during the year	94,445	37,506
Amounts disbursed during the year	(55,036)	(118,620)
Amounts recognized as revenue in the year	(400)	(23,930)
Depreciation on contributed assets	(9,900)	(9,900)
Balance at end of year	$ 87,358	$ 58,249

8. **Contributed goods and services**

Included within contributed goods and services, is an amount of $46,293 (2011 - $49,887) representing donated fees from professional service organizations.

9. **Restricted net assets**

Restricted net assets are comprised of funds donated specifically to the Endowment, Donor Forum, Bermudascholarships.com website and the Sporting Club Project. The endowment fund comprises a gift of $100,000 received in 1997, with any investment income earned to be applied for general operating purposes. The Centre's investment as disclosed in Note 5 comprises the endowment fund.

10. **Operating lease**

The Centre leases property at Sterling House, Wesley Street, Hamilton under a lease agreement scheduled to expire on December 31, 2015 with minimum annual rent and maintenance charges payable of $26,070 and $20,022 respectively.

The future minimum lease commitments are as follows:

2013	$ 46,092
2014	46,092
2015	46,092
2016	23,046

11. **Financial instruments**

Fair values

The estimated fair values of The Centre's cash and cash equivalents, accounts receivable, investment, accounts payable and accrued liabilities, deferred contributions, and membership and administration fees received in advance approximate their carrying values due to their short term nature.

The estimates of fair values presented herein are subjective in nature and not necessarily indicative of the amounts that The Centre would actually realize in a current market exchange. Certain items such as capital assets are excluded from fair value disclosure. Thus the carrying amounts of all items in the balance sheet cannot be aggregated to determine the underlying fair value of The Centre.

Liquidity risk

Liquidity risk is the risk that The Centre will encounter difficulties in meeting its financial liability obligations. The Centre manages liquidity risk by holding sufficient cash and cash equivalents to enable it to meet its liabilities as they fall due, and by continually monitoring actual and projected cash flows.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligations to The Centre, and arises principally from cash and cash equivalents, accounts receivable and investments. The maximum exposure to credit risk is represented by the carrying amount of these financial assets on The Centre's balance sheet. The Centre continually monitors its accounts receivable balances and believes that no allowance for impairment is required at the reporting date.

Price risk

Price risk is the risk that the future changes in market prices may render financial instruments less valuable or increase the liability associated with such instruments. The Centre is not exposed to significant price risk as its investment is held in a 6-month term deposit at Capital G Bank as disclosed in Note 5.

11. **Financial instruments** (continued)

Interest rate risk

Interest rate risk arises from changes in prevailing levels of market interest rates. The Centre is not exposed to significant interest rate risk as it earns interest at variable rates on its cash and cash equivalents and at a fixed rate on its term deposit.

Foreign currency risk

Foreign currency risk is the risk that arises from the change in price of one currency against another. The Centre is not exposed to significant foreign currency risk as the majority of The Centre's transactions are denominated in Bermuda dollars. The Centre holds two money market accounts denominated in US dollars.

12. **Related party transactions**

During the year, The Centre received donations from members of the Board of Directors amounting to $27,550 (2011 - $22,941). These related party transactions are in the normal course of operations and are measured at the exchange amount which is the consideration established and agreed to between the related parties.

13. **Pension**

The Centre operates a defined contribution pension scheme for employees to which it contributes 5% (2011 - 5%) of the employee's pensionable earnings. The pension expense for the current year amounted to $16,578 (2011 - $18,029). Included in accounts payable and accrued liabilities are pension contributions payable of $4,264 (2011 - $3,154).

14. **Capital management**

The Centre defines capital, for its own purposes, as restricted and unrestricted net assets. During the year The Centre's objective when managing capital, which was unchanged from previous years, was to hold sufficient unrestricted funds to enable it to withstand negative unexpected financial events and continue as a going concern. The Centre seeks to achieve this objective by holding sufficient cash and cash equivalents to maintain liquidity and enable it to meet its obligations as they become due. The Centre is not subject to any externally imposed requirements on capital.