THE CENTRE ON PHILANTHROPY

Financial Statements
(With Independent Auditors’ Report Thereon)

June 30, 2013

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 sheets as at June 30, 2013, June 30, 2012 and July 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended June 30, 2013 and June 30, 2012, 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 standards for not-for-profit organizations 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at June 30, 2013, June 30, 2012 and July 1, 2011, and its results of operations and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada.

KPMG Audit Limited

Chartered Accountants
Hamilton, Bermuda
October 14, 2013

THE CENTRE ON PHILANTHROPY

Balance Sheets

June 30, 2013, June 30, 2012 and July 1, 2011
(Expressed in Bermuda Dollars)

	June 30, 2013	June 30, 2012	July 1, 2011
Assets			
Current assets			
Cash and cash equivalents (Note 3)	$ 513,183	$ 575,370	$ 545,540
Accounts receivable	–	–	1,685
Total current assets	513,183	575,370	547,225
Funds held in escrow (Note 4)	90,000	689,182	2,348,525
Investment (Note 5)	104,936	104,253	103,110
Capital assets (Note 6)	34,710	56,885	85,533
Total assets	$ 742,829	$ 1,425,690	$ 3,084,393
Liabilities and net assets			
Current liabilities			
Funds held in escrow (Note 4)	$ 90,000	$ 689,182	$ 2,348,525
Accounts payable and accrued liabilities (Note 14)	31,979	67,161	63,718
Deferred contributions (Note 7)	66,506	87,358	58,249
Membership fees received in advance	84,100	96,100	81,300
Administration fees received in advance	–	–	94,400
Total current liabilities	272,585	939,801	2,646,192
Net assets			
Restricted net assets (Note 9)	164,105	141,816	136,721
Unrestricted net assets	306,139	344,073	301,480
Total net assets	470,244	485,889	438,201
Total liabilities and net assets	$ 742,829	$ 1,425,690	$ 3,084,393

The accompanying notes are an integral part of these financial statements

Signed on behalf of the Board

Brian Madeiros
Chairman

Jane Edgett
Treasurer

THE CENTRE ON PHILANTHROPY

Statements of Operations

Years ended June 30, 2013 and 2012
(Expressed in Bermuda Dollars)

	2013	2012
Revenues		
Membership dues	$ 254,625	$ 325,400
Contributions		
Unrestricted grants and donations	211,019	195,410
Contributed goods and services (Note 8)	55,763	56,193
Deferred contributions recognized (Note 7)	5,000	400
	271,782	252,003
Programs		
Workshops and seminars	25,996	48,614
Other revenues		
Sponsorship	384,540	259,500
Administration	24,750	101,900
Other	10,733	4,880
Investment income	853	1,396
	420,876	367,676
Total revenues	973,279	993,693
Expenses		
Programs		
Training and education	153,782	58,359
Volunteer	43,441	61,978
Advocacy and community engagement	38,458	48,265
	235,681	168,602
Wages and benefits	520,874	513,003
Professional fees (Note 8)	91,747	118,240
Occupancy	74,967	81,995
General and administrative	37,566	35,307
Depreciation	28,089	28,858
Total expenses	988,924	946,005
(Deficit) excess of revenues over expenses	$ (15,645)	$ 47,688

The accompanying notes are an integral part of these financial statements

THE CENTRE ON PHILANTHROPY

Statements of Changes in Net Assets

Years ended June 30, 2013 and 2012
(Expressed in Bermuda Dollars)

	Restricted net assets (Note 9)							
	Endowment	Donor Forum	Bermuda-scholarships.com	Sporting Club Project	Total	Unrestricted assets	2013 Total	2012 Total
Balance beginning of year	$ 104,253	$ 10,156	$ 20,001	$ 7,406	$ 141,816	$ 344,073	$ 485,889	$ 438,201
(Deficit) excess of revenues over expenses	683	(10,156)	6,966	24,796	22,289	(37,934)	(15,645)	47,688
Balance at end of year	$ 104,936	–	$ 26,967	$ 32,202	$ 164,105	$ 306,139	$ 470,244	$ 485,889

The accompanying notes are an integral part of these financial statements

THE CENTRE ON PHILANTHROPY

Statements of Cash Flows

Years ended June 30, 2013 and 2012
(Expressed in Bermuda Dollars)

	2013	2012
Cash flows from operating activities		
(Deficit) excess of revenues over expenses	$ (15,645)	$ 47,688
Adjustments for:		
Depreciation	28,089	28,858
Change in fair value of investment	(683)	(1,143)
Donation of capital assets (Note 6)	(4,186)	–
Changes in non-cash operating working capital balances:		
Accounts receivable	–	1,685
Accounts payable and accrued liabilities	(35,182)	3,443
Deferred contributions	(20,852)	29,109
Membership fees received in advance	(12,000)	14,800
Administration fees received in advance	–	(94,400)
Net cash (used in) provided by operating activities	(60,459)	30,040
Cash flows from investing activities		
Purchase of capital assets	(1,728)	(210)
Net cash used in investing activities	(1,728)	(210)
Net (decrease) increase in cash and cash equivalents	(62,187)	29,830
Cash and cash equivalents at beginning of year	575,370	545,540
Cash and cash equivalents at end of year	$ 513,183	$ 575,370

The accompanying notes are an integral part of these 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**

a) Adoption of accounting standards for not-for-profit organizations

Effective July 1, 2012, The Centre adopted the requirements of the Canadian Institute of Chartered Accountants ("CICA") Handbook – Accounting Part III: accounting standards for not-for-profit organizations ("ASNFPO"). These are The Centre's first financial statements prepared in accordance with ASNFPO and the transitional provisions of Section 1501, *First-time Adoption*, have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out below have been applied in preparing the financial statements for the year ended June 30, 2013, the comparative information presented in these financial statements for the year ended June 30, 2012 and in the preparation of an opening balance sheet at July 1, 2011, the date of transition.

The Centre issued financial statements for the year ended June 30, 2012 using accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada contained in Part V of the CICA Handbook - Accounting. The adoption of ASNFPO has not resulted in any adjustments being made to The Centre's previously reported assets, net assets, excess of revenue over expenses and cash flows. The Centre has not utilized any transitional exemptions on the adoption of ASNFPO.

b) 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.

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. 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, 2013 (2012 - $nil).

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.

d) 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.

e) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances, money market funds and deposits with a maturity period of three months or less from the date of acquisition. Funds held in escrow held on behalf of unrelated organizations are excluded from cash and cash equivalents.

f) Financial instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, investments, deferred contributions, membership and administration fees received in advance and accounts payable and accrued liabilities.

Accounts receivable and cash and cash equivalents are measured at amortized cost using the effective interest method, less any adjustment for impairment.

Investments are initially and subsequently recorded at fair value, with the unrealized gain (loss) recorded in investment income in the statement of operations. Fair value approximates quoted market value.

Financial liabilities are measured at amortized cost using the effective interest method.

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

f) Financial instruments (continued)

The Centre recognizes its transaction costs in the statement of operations in the period issued. However financial instruments that will not subsequently be measured a fair value are adjusted by the transaction costs that are directly attributable to the organization, issuance or assumption.

Financial assets are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

g) Use of estimates

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 at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Management reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments in deficit of revenue over expenses as appropriate in the year they became known.

h) Foreign currency transactions

The Centre uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's statement of operations are translated at actual rates. Exchange gains and losses are included in the statement of operations in general and administrative expenses.

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% (2012 - 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, 2013 is $90,000 (2012 - $689,182 and 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, 2013 was $104,936 (2012 - $104,253 and 2011 - $103,110).

The funds are invested in a 6-month term deposit at Capital G Bank maturing on January 1, 2014 bearing interest at 0.50% (2012 - 1.10%) per annum.

6. Capital assets

	Cost	Accumulated depreciation	2013 Net	2012 Net	2011 Net
Computer equipment	$ 70,125	$ 66,112	$ 4,013	$ 12,762	$ 27,983
Office equipment	54,491	37,887	16,604	27,949	39,294
Artwork	9,930	–	9,930	9,930	9,930
Leasehold improvements	10,407	6,244	4,163	6,244	8,326
	$ 144,953	$ 110,243	$ 34,710	$ 56,885	$ 85,533

The cost and accumulated depreciation of capital assets at June 30, 2012 were $139,039 (2011 - $138,829) and $82,154 (2011 - $53,296) respectively. During the year ended June 30, 2013 The Centre received contributed capital assets with a fair value of $4,186 (2012 - $nil).

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, Walk the Walk and other restricted projects. Changes in the deferred contributions balance are as follows:

	2013	2012	2011
Balance at beginning of year	$ 87,358	$ 58,249	$ 173,193
Amounts received during the year	31,762	94,445	37,506
Amounts disbursed during the year	(40,505)	(55,036)	(118,620)
Amounts recognized as revenue during the year	(5,000)	(400)	(23,930)
Depreciation on contributed assets	(7,109)	(9,900)	(9,900)
Balance at end of year	$ 66,506	$ 87,358	$ 58,249

8. Contributed goods and services

Included within contributed goods and services, is an amount of $44,467 (2012 - $46,293) representing donated fees from professional service organizations.

9. Restricted net assets

Restricted net assets are comprised of funds donated specifically to the Endowment, 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:

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 member 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 $8,975 (2012 - $5,950). 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% (2012 - 5%) of the employee's pensionable earnings. The pension expense for the current year amounted to $14,237 (2012 - $16,578). Included in accounts payable and accrued liabilities are pension contributions payable of $1,963 (2012 - $4,264 and 2011 $3,154).

14. **Government remittances payable**

Included in accounts payable and accrued liabilities are the following government remittances payable:

	2013	2012	2011
Government pension	$ 1,283	$ 1,216	$ 973
Payroll tax	5,298	5,490	4,806
	$ 6,581	$ 6,706	$ 5,779

15. **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.