THE CENTRE ON PHILANTHROPY

Financial Statements
(With Independent Auditors' Report Thereon)

June 30, 2014

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, 2014, 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 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 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, these financial statements present fairly, in all material respects, the financial position of The Centre as at June 30, 2014, and its results of operations and its cash flows for the year then ended in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
September 18, 2014

THE CENTRE ON PHILANTHROPY

Balance Sheet

June 30, 2014
(Expressed in Bermuda Dollars)

	2014	2013
Assets		
Current assets		
Cash and cash equivalents (Note 3)	$ 237,899	$ 513,183
Pledges receivable	1,150	–
Prepaid expenses	4,957	–
Total current assets	244,006	513,183
Funds held in escrow (Note 4)	3,971	90,000
Endowment (Note 5)	80,321	104,936
Capital assets (Note 6)	19,242	34,710
Total assets	$ 347,540	$ 742,829
Liabilities and net assets		
Current liabilities		
Funds held in escrow (Note 4)	$ 3,971	$ 90,000
Accounts payable and accrued liabilities (Notes 13 and 14)	27,287	31,979
Deferred contributions (Note 7)	27,192	66,506
Membership fees received in advance	4,900	84,100
Total current liabilities	63,350	272,585
Net assets		
Restricted net assets (Note 9)	80,321	164,105
Unrestricted net assets	203,869	306,139
Total net assets	284,190	470,244
Total liabilities and net assets	$ 347,540	$ 742,829

The accompanying notes are an integral part of these financial statements

Signed on behalf of the Board

Brian Madeiros,
Chairman

Jennifer Thoews,
Treasurer

THE CENTRE ON PHILANTHROPY

Statement of Operations

Year ended June 30, 2014
(Expressed in Bermuda Dollars)

	2014	2013
Revenues		
Membership dues	$ 248,625	$ 254,625
Contributions		
Unrestricted grants and donations	87,506	211,019
Contributed goods and services (Note 8)	37,456	55,763
Endowment (Note 9)	10,835	–
Deferred contributions recognized (Note 7)	–	5,000
	135,797	271,782
Program income		
Workshops	19,732	20,495
Other revenues		
Sponsorship	242,428	390,041
Other	6,086	10,733
Investment income	415	853
Administration	–	24,750
	248,929	426,377
Total revenues	653,083	973,279
Expenses		
Programs		
Volunteer	43,904	43,441
Advocacy and community engagement	40,187	38,458
Training and education	19,609	153,782
	103,700	235,681
Wages and benefits	519,813	520,874
Occupancy	73,074	74,967
Professional fees (Note 8)	66,907	91,747
General and administrative	35,176	37,566
Depreciation	15,467	28,089
Total expenses	814,137	988,924
Deficit of revenues over expenses	$ (161,054)	$ (15,645)

The accompanying notes are an integral part of these financial statements

THE CENTRE ON PHILANTHROPY

Statement of Changes in Net Assets

Year ended June 30, 2014
(Expressed in Bermuda Dollars)

	Restricted net assets (Note 9)						
	Endowment	Bermuda-scholarships.com	Sporting Club Project	Total	Unrestricted assets	2014 Total	2013 Total
Balance beginning of year	$ 104,936	$ 26,967	$ 32,202	$ 164,105	$ 306,139	$ 470,244	$ 485,889
(Deficit) excess of revenues over expenses	385	(26,967)	(32,202)	(58,784)	(102,270)	(161,054)	(15,645)
Endowment drawdown (Note 9)	(25,000)	–	–	(25,000)	–	(25,000)	–
Balance at end of year	$ 80,321	–	$ –	$ 80,321	$ 203,869	$ 284,190	$ 470,244

The accompanying notes are an integral part of these financial statements

THE CENTRE ON PHILANTHROPY

Statement of Cash Flows

Year ended June 30, 2014
(Expressed in Bermuda Dollars)

	2014	2013
Cash flows from operating activities		
Deficit of revenues over expenses	$ (161,054)	$ (15,645)
Adjustments for:		
Depreciation	15,468	28,089
Change in fair value of investment	(385)	(683)
Donation of capital assets (Note 6)	–	(4,186)
Changes in non-cash operating working capital balances:		
Accounts receivable	(1,150)	–
Prepaid expenses	(4,957)	–
Accounts payable and accrued liabilities	(4,692)	(35,182)
Deferred contributions	(39,314)	(20,852)
Membership fees received in advance	(79,200)	(12,000)
Net cash used in operating activities	(275,284)	(60,459)
Cash flows from investing activities		
Purchase of capital assets	–	(1,728)
Net cash used in investing activities	–	(1,728)
Net decrease in cash and cash equivalents	(275,284)	(62,187)
Cash and cash equivalents at beginning of year	513,183	575,370
Cash and cash equivalents at end of year	$ 237,899	$ 513,183

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

These financial statements are prepared in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada ("ASNFPO") contained in Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook – Accounting, and include the following significant accounting policies:

a) 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 revenue or expenses as appropriate in the year they became known.

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, 2014 (2013 - $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, pledges receivable, endowment funds, deferred contributions, membership fees received in advance and accounts payable and accrued liabilities.

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

Endowment is initially and subsequently recorded at fair value, with the change in fair value 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 the instrument is issued or acquired. However financial instruments that will subsequently be measured at amortized cost are adjusted by the transaction costs that are directly attributable to their 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) 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% (2013 - 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, 2014 is $3,971 (2013 - $90,000). A corresponding amount due to these grantees is included in current liabilities.

5. **Endowment**

The Centre's investment is held in a restricted endowment fund (Note 9). The fair value of the endowment fund at June 30, 2014 was $80,321 (2013 - $104,936). During the year $25,000 was drawn-down from the endowment to be used for the operations of The Centre.

6. Capital assets

	Cost	Accumulated depreciation	2014 Net	2013 Net
Computer equipment	$ 70,125	$ 68,153	$ 1,972	$ 4,013
Office equipment	54,491	49,233	5,258	16,604
Artwork	9,930	–	9,930	9,930
Leasehold improvements	10,407	8,325	2,082	4,163
	$ 144,953	$ 125,711	$ 19,242	$ 34,710

The cost and accumulated depreciation of capital assets at June 30, 2013 were $144,953 (2012 - $139,039) and $110,243 (2012 - $82,154) respectively.

During the year ended The Centre received contributed capital assets with a fair value of $nil (2013 - $4,186).

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 facilitated events and restricted projects. Changes in the deferred contributions balance are as follows:

	2014	2013
Balance at beginning of year	$ 66,506	$ 87,358
Amounts received during the year	23,350	31,762
Amounts disbursed during the year	(59,169)	(40,505)
Amounts recognized as revenue during the year	–	(5,000)
Depreciation on contributed assets	(3,495)	(7,109)
Balance at end of year	$ 27,192	$ 66,506

8. Contributed goods and services

Included within contributed goods and services is an amount of $32,665 (2013 - $44,467) representing donated fees from professional service organizations.

9. Restricted net assets

Restricted net assets are comprised of funds donated specifically to the Endowment (Note 5).

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:

2015	$	46,092
2016		23,046

A rental relief grant was received by The Centre from the landlord in the amount of $26,000 for the period ending December 31, 2014.

11. **Financial instruments**

Fair values

The estimated fair values of The Centre's financial instruments 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.

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.

11. **Financial instruments** (continued)

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 $21,623 (2013 - $8,975). 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% (2013 - 5%) of the employee's pensionable earnings. The pension expense for the current year amounted to $15,987 (2013 - $14,237). Included in accounts payable and accrued liabilities are pension contributions payable of $3,115 (2013 - $1,963).

14. **Government remittances payable**

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

	2014	2013
Government pension	$ 1,924	$ 1,283
Payroll tax	5,824	5,298
	$ 7,748	$ 6,581

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.