

The CGOV Foundation

Financial Statements

December 31, 2006

Auditors' Report

To the Directors of
The CGOV Foundation

We have audited the statement of financial position of The CGOV Foundation as at December 31, 2006 and the statements of operations and cash flows for the period from October 6 to December 31, 2006. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements, present fairly, in all material respects, the financial position of The CGOV Foundation as at December 31, 2006 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Koster, Spinks & Koster LLP

Licensed Public Accountants

Toronto, Ontario
May 18, 2007

The CGOV Foundation

Statement of Financial Position

December 31, 2006

Current assets

Cash	\$ 96,839
Investments (note 3)	<u>2,095,449</u>

\$ 2,192,288

Fund balances

General Fund	\$ 264,209
Restricted Funds	<u>1,928,079</u>

\$ 2,192,288

Approved on behalf of the Board:

_____ Director

_____ Director

The CGOV Foundation

Statement of Operations
For The Period from October 6 to December 31, 2006

	General Fund	Restricted Funds	Total
Revenues			
Donations	\$ 290,763	\$ 1,933,998	\$ 2,224,761
Realized loss on investments	(129)	(4,199)	(4,328)
	<u>290,634</u>	<u>1,929,799</u>	<u>2,220,433</u>
Expenses			
Grants	26,425	-	26,425
Excess of revenues over expenses	264,209	1,929,799	2,194,008
Unrealized loss on investments	-	(1,720)	(1,720)
Fund balances, end of period	<u>\$ 264,209</u>	<u>\$ 1,928,079</u>	<u>\$ 2,192,288</u>

The CGOV Foundation

Statement of Cash Flows For The Period from October 6 to December 31, 2006

Cash provided by (used for):

Operating activities

Excess (deficiency) of revenues over expenses for the period	\$ 2,192,288
Items not affecting cash:	
Donated investments	(2,224,501)
Realized and unrealized losses on investments	6,048
	<u>(26,165)</u>

Investing activities

Purchase of CGOV Balanced Fund	(1,800,000)
Proceeds from disposition of investments	1,923,004
	<u>123,004</u>

Change in cash during the period 96,839

Cash, beginning of period -

Cash, end of period \$ 96,839

The CGOV Foundation

Notes to Financial Statements

December 31, 2006

1. Organization

The mandate of CGOV Foundation (the "Foundation") is to support qualifying charities in Canada by means of creating a philanthropic vehicle that allows for the pooling of resources for the ultimate betterment of our community as a whole.

The Foundation is a registered charity and is classified as a public foundation under Section 149.1(1) of the Income Tax Act (Canada) [the "Act"]. As such, it is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. Significant accounting policies

These statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

a) Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of "fund accounting". Under these principles, resources are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

The General Fund accounts for the Foundation's administrative and operational revenues and expenses. Net expenditures of the General Fund are financed primarily by contributions on which the donor has placed no restriction on the use of the donation. The distribution of grants is determined by the Board of Directors each year according to the needs of the community.

The Restricted Funds consist of donor-advised funds that represent donations from donors to create Restricted Funds within the Foundation and investment income earned on the assets of the fund. Donors may advise with respect to the grants to be distributed from these Restricted Funds, but the final granting decisions are made by the Directors of the Foundation.

b) Investments

Investments are recorded at their market value. Realized and unrealized gains and losses are recorded in the year they occur.

The CGOV Foundation

Notes to Financial Statements
December 31, 2006

c) Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue in the Restricted Fund. Unrestricted contributions are recognized as revenue of the General Fund in the year received. Dividend income is recognized when the Foundation's right to receive payment is established. Interest income is recognized on an accrual basis. Investment income is not recognized unless measurement and collection are reasonably assured.

d) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the recognition, measurement and disclosure of amounts reported in the financial statements and accompanying notes. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned course of action. Actual results may differ from those estimates.

3. Investments

The Foundation's funds are invested in pooled funds that hold short-term investments, bonds and Canadian and foreign equities. These investments are subject to market value fluctuations and the Foundation records these investments at market value. Accordingly, the year-end market values and investment income for the year include unrealized gains and losses on the pooled funds.

At December 31, 2006, the Foundation held 112,393 units in the CGOV Balanced Fund with a market value of \$1,798,280.

The market values of the investments are summarized below:

Pooled funds	
CGOV Balanced Fund	\$ 1,798,280
Fidelity Global Fund	108,886
Canadian equities	<u>188,283</u>
	<u>\$ 2,095,449</u>

The Canadian equities and units in the Fidelity Global Fund represent investments donated at year end that were sold subsequently. The proceeds from the dispositions of the Canadian equities were used to make grants in January 2007. The proceeds from the disposition of the units in the Fidelity Global Fund were reinvested in the CGOV Balanced Fund.

The CGOV Foundation

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4. Agreements

Administrative Services Agreement

The Foundation has entered into an agreement with Cranston, Gaskin, Gaskin O'Reilly & Vernon (CGOV) Investment Counsel to perform administration duties on its behalf for a fee up to 0.25% per annum of the market value of the assets. CGOV waived its right to this administrative fee for 2006.

Investment Management Agreement

The Foundation has entered into an agreement with Cranston, Gaskin, Gaskin O'Reilly & Vernon (CGOV) Investment Counsel to perform investment management services for a fee of up to 1.0% per annum of the market value of the assets.

Donation Agreements

The Foundation has entered into donation agreements with donors who establish Restricted Funds. Investment management services for these funds will be billed up to 1.0% per annum of the market value of each fund. Administrative services for each fund will be billed up to 0.25% per annum of the market value of the assets.

The initial legal and accounting fees associated with the establishment of the Foundation as well as any such fees incurred in 2006 have been borne by CGOV Investment Counsel.

5. Financial instruments

Fair value

The carrying value of cash approximate its fair value due to the short-term nature of the financial instrument. The fair value of the investments approximate its quoted market value as disclosed in note 3.