

The CGOV Foundation

Financial Statements
December 31, 2011



June 26, 2012

Independent Auditor's Report

To the Directors of The CGOV Foundation

We have audited the accompanying financial statements of The CGOV Foundation, which comprise the statement of financial position as at December 31, 2011 and the statements of operations and fund balances and cash flows for the year then ended, and the related notes, which comprise 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 generally accepted accounting principles, 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.

Auditor's 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 auditor's 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 auditor considers 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.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The CGOV Foundation as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

The CGOV Foundation
Statement of Financial Position
As at December 31, 2011

			<u>2011</u>	<u>2010</u>
	General Fund \$	Donor Advised Funds \$	Total \$	Total \$
Assets				
Cash and cash equivalents	26,759	135,956	162,715	53,767
Investments (note 3)	-	5,451,884	5,451,884	5,558,655
Accounts receivable	4,818	-	4,818	15,353
	<u>31,577</u>	<u>5,587,840</u>	<u>5,619,417</u>	<u>5,627,775</u>
Liabilities				
Accounts payable and accrued liabilities	14,000	4,818	18,818	23,298
Due to CGOV Asset Management	-	14,917	14,917	6,873
	14,000	19,735	33,735	30,171
Fund Balances	<u>17,577</u>	<u>5,568,105</u>	<u>5,585,682</u>	<u>5,597,604</u>
	<u>31,577</u>	<u>5,587,840</u>	<u>5,619,417</u>	<u>5,627,775</u>

Approved by the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements.

The CGOV Foundation

Statement of Operations and Fund Balances

For the year ended December 31, 2011

			<u>2011</u>	<u>2010</u>
	<u>General Fund \$</u>	<u>Donor Advised Funds \$</u>	<u>Total \$</u>	<u>Total \$</u>
Revenues				
Donations	384,607	64,224	448,831	467,521
Investment revenue	297	84,649	84,946	111,345
Gains (losses) on sale of investments	-	112,981	112,981	(19,813)
Donations from fundraising event	-	60,867	60,867	59,574
Administrative fees earned (note 2)	13,529	-	13,529	17,890
HST recovery	4,987	-	4,987	-
	<u>403,420</u>	<u>322,721</u>	<u>726,141</u>	<u>636,517</u>
Expenses				
Grants	392,232	241,792	634,024	1,014,316
Audit and operations	12,479	32	12,511	20,279
CGOV management fees (note 3)	38	51,386	51,424	26,373
Donor Advised Funds administrative fees (note 2)	33	13,496	13,529	17,890
Fundraising	-	11,966	11,966	22,023
	<u>404,782</u>	<u>318,672</u>	<u>723,454</u>	<u>1,100,881</u>
Excess (deficiency) of revenues over expenses for the year	(1,362)	4,049	2,687	(464,364)
Fund balances - Beginning of year	18,939	5,578,665	5,597,604	5,639,879
Gains (losses) on investments held	-	(14,609)	(14,609)	422,089
Fund balances - End of year	<u>17,577</u>	<u>5,568,105</u>	<u>5,585,682</u>	<u>5,597,604</u>

The accompanying notes are an integral part of these financial statements.

The CGOV Foundation

Statement of Cash Flows

For the year ended December 31, 2011

	2011 \$	2010 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	2,687	(464,364)
Item not affecting cash		
Unrealized gains (losses) on investments	(14,609)	422,089
Changes in non-cash working capital balances		
Decrease (increase) in accounts receivable	10,535	(15,353)
Increase in amounts owed to CGOV Asset Management	8,044	561
(Decrease) increase in accounts payable and accrued liabilities	(4,480)	13,298
	<hr/> 2,177	<hr/> (43,769)
Investing activities		
Net purchases of investments	<hr/> 106,771	<hr/> (278,574)
Increase (decrease) in cash and cash equivalents during the year	108,948	(322,343)
Cash and cash equivalents - Beginning of year	<hr/> 53,767	<hr/> 376,110
Cash and cash equivalents - End of year	<hr/> <hr/> 162,715	<hr/> <hr/> 53,767

The accompanying notes are an integral part of these financial statements.

The CGOV Foundation

Notes to Financial Statements

December 31, 2011

1 Nature of operations

The CGOV Foundation (the Foundation) is a not-for-profit organization incorporated under Part II of the Canada Corporations Act whose mandate 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 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for not-for-profit organizations using the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they are provided.

These financial statements include the following funds:

- General Fund

These funds mainly represent donations to the Foundation from which disbursements are made to qualified donees as determined by the Foundation's board of directors, taking into account the recommendation of the donors. The remaining portion of these funds is disbursed at the discretion of the directors based on the needs of the community and for the Foundation's general fundraising and administrative activities.

- Donor Advised Funds

These funds represent donations made to the Foundation that have been segregated into stand-alone funds within the Foundation from which disbursements are made to qualified donees as determined by the Foundation's board of directors, taking into account the recommendations of the donors.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances with banks and highly liquid short-term investments with original terms to maturity of less than three months.

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Financial instruments

The Foundation's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities and due to CGOV Asset Management.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and due to CGOV Asset Management approximate their carrying value due to their short-term maturity.

The Foundation's funds are invested in pooled funds that hold short-term investments, bonds and Canadian and foreign equities.

The Foundation classifies all of its investments as available-for-sale and the investments are recorded at their fair value. The fair value is based on the quoted market price. The unrealized gains or losses are recorded in the fund balances until the investment is sold, at which time the realized gains or losses are recorded in the statement of operations. Realized gains or losses are calculated using the average cost of the securities on disposition. Short-term cash and cash equivalents are valued at amortized cost, which approximates fair value.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Foundation's designation of such instruments.

The Foundation classifies its financial instruments as follows:

Assets/liabilities	Category	Measurement
Cash and cash equivalents	available-for-sale	fair value
Investments	available-for-sale	fair value
Accounts receivable	loans and receivables	amortized cost
Accounts payable and accrued liabilities	other liabilities	amortized cost
Due to CGOV Asset Management	other liabilities	amortized cost

Revenue recognition

Revenues from investments represent dividends, interest and realized gains and losses. Investment income earned in respect of Donor Advised Funds is recognized as revenue of such funds. Revenues and expenses are recognized on the accrual basis of accounting, except for donation revenues.

Donations to the Foundation that are recorded in the General Fund or the Donor Advised Funds, as the case may be, are recognized as revenues of the particular fund in the year received.

Agreements with CGOV Asset Management

The Foundation has entered into an administrative agreement with CGOV Asset Management (CGOV) to perform administrative duties on its behalf for a fee up to 0.25% per annum of the fair value of the assets. The Foundation has also entered into an agreement with CGOV to perform investment management services for a

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fee up to 1.00% per annum of the fair value of the assets invested in the CGOV Balanced Fund, CGOV Fixed Income Fund and the CGOV Equity Income Fund.

Agreements with donors

The Foundation has entered into a donation agreement with each donor who established a Donor Advised Fund. Each Donor Advised Fund is billed up to 1.00% per annum of the fair value of each fund for investment management services. Each Donor Advised Fund is billed up to 0.25% per annum of the fair value of the assets for administrative services.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. 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 could differ from those estimates.

Recent Canadian accounting pronouncement

The Canadian Institute of Chartered Accountants issued Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, which were applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. However, not-for-profit organizations may choose not to adopt these sections. Therefore, the Foundation will continue to apply Section 3861, Financial Statements - Disclosure and Presentation, as applicable.

Future accounting changes

- Accounting standards for not-for-profit organizations

In December 2010, the Canadian Accounting Standards Board issued a comprehensive set of accounting standards applicable to not-for-profit organizations. The standards are effective for fiscal years beginning on or after January 1, 2012 and require retrospective application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. The Foundation is currently considering the impact of the adoption of these standards.

3 Related party transactions

Two of the directors on the board of the Foundation are partners of CGOV. During the year, the Foundation received \$60,354 (2010 - \$47,639) in donations from CGOV, a company with common significant control.

During the year, the Foundation paid \$51,424 (2010 - \$26,373) in investment management and administrative fees to CGOV.

All investments made by the Foundation, \$5,451,884 (2010 - \$5,558,655), are in pooled funds operated by CGOV.

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These transactions are in the normal course of operations and are measured at the exchange amount of consideration established.

4 Financial instruments

Fair value

The carrying value of cash and cash equivalents, investments, accounts payable and accrued liabilities and due to CGOV approximate their fair values unless otherwise noted. The Foundation is subject to credit risk and price risk with respect to its investments. These risks are managed by establishing a mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

Concentration of credit risk

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist primarily of cash and cash held in a brokerage account. To reduce the risk, the cash held in a brokerage account is only held at major financial institutions.

Price risk

The Foundation's investments are subject to price risk, which arises from the possibility that changes in market prices will affect the fair value of the investments. The Foundation's price risk is considered to be low.