

The CGOV Foundation

Financial Statements

**December 31, 2012, December 31, 2011
and January 1, 2011**



June 18, 2013

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 statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 accounting standards for not-for-profit organizations, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The CGOV Foundation as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

The CGOV Foundation
 Statements of Financial Position

			December 31, 2012	December 31, 2011	January 1, 2011
	General Fund \$	Donor Advised Funds \$	Total \$	Total \$ (note 2)	Total \$ (note 2)
Assets					
Cash and cash equivalents	41,412	938,903	980,315	162,715	53,767
Investments (note 4)	-	6,994,280	6,994,280	5,451,884	5,558,655
Accounts receivable	5,619	-	5,619	4,818	15,353
	<u>47,031</u>	<u>7,933,183</u>	<u>7,980,214</u>	<u>5,619,417</u>	<u>5,627,775</u>
Liabilities					
Accounts payable and accrued liabilities	12,000	5,619	17,619	18,818	23,298
Due to CGOV Asset Management	-	18,713	18,713	14,917	6,873
	<u>12,000</u>	<u>24,332</u>	<u>36,332</u>	<u>33,735</u>	<u>30,171</u>
Fund Balances	<u>35,031</u>	<u>7,908,851</u>	<u>7,943,882</u>	<u>5,585,682</u>	<u>5,597,604</u>
	<u>47,031</u>	<u>7,933,183</u>	<u>7,980,214</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

Statements of Operations

For the years ended December 31, 2012 and December 31, 2011

			2012	2011
	General Fund	Donor Advised Funds	Total	Total
	\$	\$	\$	\$
				(note 2)
Revenues				
Donations	185,983	2,073,751	2,259,734	448,831
Investment revenue	497	341,759	342,256	84,946
Gains on investments	-	279,434	279,434	98,372
Donations from fundraising event	-	38,297	38,297	60,867
Administrative fees earned (note 3)	14,534	-	14,534	13,529
HST recovery	5,216	-	5,216	4,987
	<u>206,230</u>	<u>2,733,241</u>	<u>2,939,471</u>	<u>711,532</u>
Expenses				
Grants	175,173	301,772	476,945	634,024
Audit and operations	13,603	-	13,603	12,511
CGOV management fees (note 4)	-	65,554	65,554	51,424
Donor Advised Funds administrative fees (note 3)	-	14,534	14,534	13,529
Fundraising	-	10,635	10,635	11,966
	<u>188,776</u>	<u>392,495</u>	<u>581,271</u>	<u>723,454</u>
Excess (deficiency) of revenues over expenses for the year	<u>17,454</u>	<u>2,340,746</u>	<u>2,358,200</u>	<u>(11,922)</u>

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

The CGOV Foundation

Statements of Changes in Fund Balances

For the years ended December 31, 2012 and December 31, 2011

	2012		
	General Fund \$	Donor Advised Funds \$	Total \$
Balance - Beginning of year	17,577	5,568,105	5,585,682
Excess of revenues over expenditures for the year	17,454	2,340,746	2,358,200
Balance - End of year	35,031	7,908,851	7,943,882

	2011		
	General Fund \$	Donor Advised Funds \$	Total \$ (note 2)
Balance - Beginning of year	18,939	5,578,665	5,597,604
Deficiency of revenues over expenditures for the year	(1,362)	(10,560)	(11,922)
Balance - End of year	17,577	5,568,105	5,585,682

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

The CGOV Foundation

Statements of Cash Flows

For the years ended December 31, 2012 and December 31, 2011

	2012 \$	2011 \$ (note 2)
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	2,358,200	(11,922)
Changes in non-cash working capital balances		
Decrease (increase) in accounts receivable	(801)	10,535
Increase in amounts owed to CGOV Asset Management	3,796	8,044
Decrease in accounts payable and accrued liabilities	(1,199)	(4,480)
	<u>2,359,996</u>	<u>2,177</u>
Investing activities		
(Increase) decrease in investments	<u>(1,542,396)</u>	<u>106,771</u>
Increase in cash and cash equivalents during the year	817,600	108,948
Cash and cash equivalents - Beginning of year	<u>162,715</u>	<u>53,767</u>
Cash and cash equivalents - End of year	<u>980,315</u>	<u>162,715</u>

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

The CGOV Foundation

Notes to Financial Statements

December 31, 2012, December 31, 2011 and January 1, 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 Transition to accounting standards for not-for-profit organizations

Effective January 1, 2012, the Foundation elected to adopt Canadian accounting standards for not-for-profit organizations (Part III of The Canadian Institute of Chartered Accountants Handbook) (ASNPO), as issued by the Canadian Accounting Standards Board. The Foundation has elected to adopt Accounting Standards For Private Enterprises (ASPE), Section 3856, Financial Instruments, and in accordance with Section 1501, First-time Adoption by Not-for-Profit Organizations, the accounting policies under this framework have been applied consistently and retrospectively as if these policies had always been in effect.

The transition from Canadian generally accepted accounting principles to ASNPO has resulted in the recognition of the unrealized gain (loss) into income. There has been no significant impact on the statements of financial position, changes in fund balances and cash flows generated by the Foundation.

3 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with ASNPO 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.

The CGOV Foundation

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- 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.

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 has elected to adopt ASPE 3856, Financial Instruments and measure its' investments at fair value with changes in value recorded in the statements of operations. The fair value is based on the quoted market price. Short-term cash and cash equivalents are carried 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.

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.

The CGOV Foundation

Notes to Financial Statements

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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 the assets invested in the CGOV Balanced Fund, CGOV Fixed Income Fund and the CGOV Dividend 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 as per the CGOV Foundation agreement with CGOV at the fair value of each fund. Each Donor Advised Fund is billed as per the CGOV Foundation agreement with CGOV for investment management services based upon the fair value of each fund.

Use of estimates

The preparation of financial statements in conformity with ASNPO 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.

4 Related party transactions

Two of the directors on the board of the Foundation are partners of CGOV. During the year, the Foundation received \$55,325 (2011 - \$60,354) in donations from CGOV.

During the year, the Foundation paid \$65,554 (2011 - \$51,424) in investment management and administrative fees to CGOV.

All investments made by the Foundation, \$6,994,280 (2011 - \$5,451,884), are in pooled funds operated by CGOV.

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

5 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.

The CGOV Foundation

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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.