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**WALTER AND DUNCAN GORDON  
CHARITABLE FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

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**AUDITORS' REPORT**

To the Trustees,  
Walter and Duncan Gordon Charitable Foundation

We have audited the statement of financial position of Walter and Duncan Gordon Charitable Foundation as at December 31, 2009 and the statements of operations and changes in net assets and cash flows for the year then ended. 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 Foundation as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Cowperthwaite Mehta*

Chartered Accountants  
Licensed Public Accountants

February 26, 2010  
Toronto, Ontario

**WALTER AND DUNCAN GORDON CHARITABLE FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2009**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 515,950	\$ 298,823
Short-term investments (note 5)	215,451	213,924
Other assets	<u>50,853</u>	<u>74,776</u>
	782,254	587,523
Capital assets (note 6)	171	1,999
Long-term investments (note 8)	<u>51,320,544</u>	<u>51,205,308</u>
	<u>\$ 52,102,969</u>	<u>\$ 51,794,830</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 443,201	\$ 304,148
Deferred program grants	<u>148,723</u>	<u>30,170</u>
	<u>591,924</u>	<u>334,318</u>
Net assets		
Invested in capital assets	171	1,999
Unrestricted	<u>51,510,874</u>	<u>51,458,513</u>
	<u>51,511,045</u>	<u>51,460,512</u>
	<u>\$ 52,102,969</u>	<u>\$ 51,794,830</u>

Approved on behalf of the Board:

 \_\_\_\_\_, Trustee

 \_\_\_\_\_, Trustee

see accompanying notes

# WALTER AND DUNCAN GORDON CHARITABLE FOUNDATION

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
<b>REVENUE</b>		
Net gains (losses) on investments (note 9)	\$ 3,437,913	\$ (15,270,429)
Dividends	920,471	1,405,761
Interest	559,282	755,945
Other income	<u>67,297</u>	<u>                    </u>
	<u>4,984,963</u>	<u>(13,108,723)</u>
<b>EXPENSES</b>		
Program (note 10)	4,414,962	4,838,058
Investment management and custodial fees	334,584	319,707
Operating (note 11)	<u>184,884</u>	<u>201,001</u>
	<u>4,934,430</u>	<u>5,358,766</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR</b>	50,533	(18,467,489)
Net assets, beginning of year	<u>51,460,512</u>	<u>69,928,001</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 51,511,045</u>	<u>\$ 51,460,512</u>

see accompanying notes

# WALTER AND DUNCAN GORDON CHARITABLE FOUNDATION

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
<b>CASH USED IN OPERATING ACTIVITIES</b>		
Foundation partnership grants	\$ 185,301	\$ 30,170
Cash used in operations		
Program expenses	(3,575,591)	(3,948,404)
Salaries and benefits	(697,751)	(677,077)
Operating expenses	(140,465)	(261,238)
Building occupancy	<u>(72,790)</u>	<u>(76,291)</u>
	<u>(4,486,597)</u>	<u>(4,963,010)</u>
Cash used in operating activities	<u>(4,301,296)</u>	<u>(4,932,840)</u>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Investment income	1,479,753	2,689,253
Sale of long term investments	3,321,150	2,713,484
Investment management and custodial fees	<u>(282,480)</u>	<u>(362,559)</u>
Cash generated from investment activities	<u>4,518,423</u>	<u>5,040,178</u>
<b>NET INCREASE IN CASH FOR THE YEAR</b>	217,127	107,338
Cash, beginning of year	<u>298,823</u>	<u>191,485</u>
<b>CASH, END OF YEAR</b>	<u>\$ 515,950</u>	<u>\$ 298,823</u>

see accompanying notes

# WALTER AND DUNCAN GORDON CHARITABLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

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### 1. THE ORGANIZATION

Walter and Duncan Gordon Charitable Foundation was incorporated as a not-for-profit organization without share capital under the laws of the Province of Ontario on November 25, 1965. The Foundation is dedicated to the development of sound and innovative public policies, founded on those values fundamental to Canadians, and designed to foster the continuing evolution of a dynamic and independent Canada.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles on a basis consistent with prior years and include the following significant policies:

#### **Basis of accounting**

The Foundation follows the deferral method of accounting for contributions. Restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.

#### **Investments**

The Foundation classifies its equities, money market funds and fixed income securities as held-for-trading. Held-for-trading securities, which are purchased for sale in the near term, are reported at estimated fair value. Realized and unrealized gains and losses are recognized as investment income when they arise. Transaction costs related to financial instruments classified as held-for-trading are expensed as incurred.

Cash and cash equivalents denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the statement of financial position date.

Foreign currency investments are translated into Canadian dollars to reflect the exchange rate in effect at the statement of financial position date. Investment income received is translated at the month-end exchange rate in effect in the month the funds are received.

#### **Property and equipment**

Purchased property and equipment is recorded at cost in the year of acquisition. Property and equipment is amortized to operations over their expected useful lives. Furniture and equipment is amortized over 5 years on a straight line basis. Leasehold improvements are amortized over the length of the lease.

#### **Use of estimates**

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Estimates and assumptions have been made in the areas of determining the fair value of financial instruments, and accounting for grant and program commitments. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

# WALTER AND DUNCAN GORDON CHARITABLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition

The Foundation follows the deferral method of revenue recognition. Its principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) Gains and losses realized on the disposition of investments are recognized in revenue at the settlement date. Unrealized gains and losses from changes in fair value of investments are recognized in income at the reporting date. Dividends and interest earned are recorded when earned.
- ii) Grants related to current expenditures are reflected in the accounts as a revenue item in the current year. Grants received in the year for expenses to be incurred in the following fiscal year are recorded as accounts payable.
- iii) Donated materials and services which are normally purchased by the Foundation are not recorded in the accounts.

#### Disbursements

Grants are recorded when funds are disbursed. Fellowships are recorded when approved. Expenses are recorded when incurred.

### 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Foundation's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities. The carrying value of accounts receivable and accounts payable and accrued liabilities approximates their fair value because of the short-term nature of these instruments. The fair values of investments are the year end quoted prices.

The cost of short-term securities, treasury bills and term deposits maturing within a year, plus accrued interest income, approximates the fair value of these instruments.

The fair value of bonds and equities denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at the statement of financial position date. Pooled fund investments are valued at the unit values supplied by the pooled fund administrators. These values represent the Foundation's proportionate share of the underlying net assets at fair values determined using closing market rates.

The Foundation's investments are exposed to credit risk and market risk. Credit risk represents the financial loss the Foundation would experience if a counterpart to a financial instrument failed to meet its obligations in accordance with the terms and conditions of the contract. The carrying amount of financial assets represents the maximum exposure. Market risk is the risk that changes in market prices would affect the Foundation's income or the value of its financial instruments.

Credit and market risk are managed through a stated investment policy and the Foundation limits the amount which is invested with any one broker. In addition, the Foundation performs quarterly reviews of its investment portfolio and brokers to evaluate their performance.

The Foundation manages its liquidity risk by monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

# WALTER AND DUNCAN GORDON CHARITABLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

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### 4. MANAGEMENT OF CAPITAL

In managing capital, the Foundation focuses on liquid resources available for operations. The Foundation's objective is to have sufficient liquid resources to continue operating despite adverse events with financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2009, the Foundation had met its objective of having sufficient liquid resources to meet its current obligations.

### 5. SHORT-TERM INVESTMENT

The Foundation's short-term investment is a variable rate Guaranteed Investment Certificate from a chartered bank with an annualized rate of return of 2.5% and a maturity date of September 15, 2010.

### 6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Cost	Accumulated Amortization	2009 Net	2008 Net
Furniture and equipment	\$ 28,522	\$ (28,351)	\$ 171	\$ 1,999
Leasehold improvements	<u>19,583</u>	<u>(19,583)</u>	<u>nil</u>	<u>nil</u>
	<u>\$ 48,105</u>	<u>\$ (47,934)</u>	<u>\$ 171</u>	<u>\$ 1,999</u>

Office and program expenses include amortization of \$1,828 (\$3,322 in 2008).

### 7. DEFERRED PROGRAM GRANTS

Deferred program grants are composed of the following:

	2009	2008
Kaplan Foundation	\$ 115,028	\$ 30,170
Wilbourforce Foundation	11,232	
Oak Foundation	<u>22,463</u>	<u>          </u>
	<u>\$ 148,723</u>	<u>\$ 30,170</u>

Continuity of deferred revenue for the year is as follows:

Deferred revenue, beginning of year	\$ 30,170	\$
Add grants received in year	185,850	30,170
Less funding recognized in year	<u>(67,297)</u>	<u>          </u>
Deferred revenue, end of year	<u>\$ 148,723</u>	<u>\$ 30,170</u>



# WALTER AND DUNCAN GORDON CHARITABLE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

### 8. LONG-TERM INVESTMENTS

Long-term investments are composed of all assets held in brokerage accounts.

	2009		2008	
	Cost	Market Value	Cost	Market Value
Cash and cash equivalents	\$ 90,693	\$ 90,639	\$ 95,402	\$ 95,513
Canadian bonds	17,383,860	17,913,038	12,649,661	13,409,520
Canadian equity investments	4,359,147	5,638,387	4,564,984	4,631,600
Foreign equity investments	<u>38,158,506</u>	<u>27,678,480</u>	<u>48,907,205</u>	<u>33,068,675</u>
Total long-term investments	<u>\$ 59,992,206</u>	<u>\$ 51,320,544</u>	<u>\$ 66,217,252</u>	<u>\$ 51,205,308</u>

### 9. GAINS (LOSSES) ON INVESTMENTS

The net realized gains and losses and the change in net unrealized gains and losses recorded in revenue are as follows:

	2009	2008
Realized gains (losses) on sales of investments	\$ (2,901,351)	\$ 564,481
Change in unrealized gains (losses) from prior year	<u>6,339,264</u>	<u>(15,834,910)</u>
	<u>\$ 3,437,913</u>	<u>\$ (15,270,429)</u>

### 10. PROGRAM GRANTS AND EXPENSES

The Foundation funds the following program areas:

	Grants	Direct Expenses	Allocated Expenses	2009 Total	2008 Total
Canadian North	\$ 675,350	\$ 485,268	\$ 248,616	\$ 1,409,234	\$ 1,499,139
Fresh Water Resources	1,486,876	183,039	220,459	1,890,374	2,100,928
Global Citizenship	219,230	339,238	240,505	798,973	949,909
Foreign Aid Review		4,237	90,847	95,084	
Art	48,336		6,599	54,935	107,407
Trustee directed and other	<u>147,533</u>	<u>18,829</u>		<u>166,362</u>	<u>180,675</u>
	<u>\$ 2,577,325</u>	<u>\$ 1,030,611</u>	<u>\$ 807,026</u>	<u>\$ 4,414,962</u>	<u>\$ 4,838,058</u>

Expenses allocated among program areas include salaries and benefits of \$599,578 (\$556,113 in 2008) and general and administrative expenses of \$207,488 (\$190,940 in 2008). Expenses are allocated based on the estimated percentage of time spent and use of resources for each program area.

# WALTER AND DUNCAN GORDON CHARITABLE FOUNDATION

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### 11. OPERATING EXPENSES

Operating expenses are composed of the following:

	2009	2008
Salaries and benefits	\$ 98,173	\$ 120,857
Office	52,358	41,870
Occupancy	13,910	14,139
Travel	9,283	12,710
Professional fees	<u>11,160</u>	<u>11,425</u>
	<u>\$ 184,884</u>	<u>\$ 201,001</u>

### 12. COMMITMENTS

The Foundation has committed to disbursing grants to certain organizations in subsequent years. Payment will be made upon compliance by the recipient with certain conditions specified by the Foundation.

The Foundation leases office premises under an operating lease which expires in 2014. The Foundation shares its premises with another organization and is responsible for approximately 60% of the annual lease payments. The future minimum payments as at December 31 are as follows:

	Grants	Rent	Total
2010	\$ 692,701	\$ 63,945	\$ 756,646
2011	121,500	63,945	185,445
2012		63,945	63,945
2013		63,945	63,945
2014		<u>63,945</u>	<u>63,945</u>
	<u>\$ 814,201</u>	<u>\$ 319,725</u>	<u>\$ 1,133,926</u>

### 13. CHANGE IN ACCOUNTING POLICY

The Canadian Institute of Chartered Accountants (the CICA) has released revisions to the CICA Handbook that relate to not-for-profit organizations. The impact of implementing these standards is limited to the addition of note 4, Management of Capital. They do not affect the Foundation's financial position in 2009 and are not expected to affect it in 2010.

### 14. INCOME TAX STATUS

The Foundation is registered as a private Foundation under the Income Tax Act (Canada) and while registered is exempt from income taxes. As part of maintaining its registration, the Foundation must meet a disbursement quota set by Canada Revenue Agency regulations. The Foundation has met this requirement in 2009.