

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

FINANCIAL STATEMENTS

DECEMBER 31, 2008

McKECHNIE & Co.
CHARTERED ACCOUNTANTS

McKECHNIE & Co.
Suite 500, 1390 Prince of Wales Drive
Ottawa, Ontario, K2C 3N6

AUDITORS' REPORT

To the Board of Directors of
The Hnatyshyn Foundation / La Fondation Hnatyshyn

We have audited the statement of financial position of The Hnatyshyn Foundation / La Fondation Hnatyshyn as at December 31, 2008 and the statements of revenue and expenditure and changes in fund balances 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, 2008 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants¹, Licensed Public Accountant

Ottawa, Ontario
June 11, 2009

¹By Paul McKechnie, Auditor

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2008

	Unrestricted		Restricted		2008	2007
	Canadian Heritage	General	John R. Stratton Fund	General	Total	Total
ASSETS						
Current						
Cash	\$ 0	\$ 73,882	\$ 0	\$ 148,355	\$ 222,237	\$ 120,801
Amounts receivable	0	1,435	0	0	1,435	1,627
Prepaid expenses	0	3,967	0	0	3,967	725
	0	79,284	0	148,355	227,639	123,153
 Investments (note 4)	 2,271,837	 277,259	 241,631	 1,303,078	 4,093,805	 4,468,908
	 \$ 2,271,837	 \$ 356,543	 \$ 241,631	 \$ 1,451,433	 \$ 4,321,444	 \$ 4,592,061
LIABILITIES AND BALANCE OF FUNDS						
Current						
Accounts payable and accrued liabilities	\$ 0	\$ 15,421	\$ 0	\$ 0	\$ 15,421	\$ 23,521
Interfund balances	172,681	(182,935)	0	10,254	0	0
	172,681	(167,514)	0	10,254	15,421	23,521
 Balance of funds	 2,099,156	 524,057	 241,631	 1,441,179	 4,306,023	 4,568,540
	 \$ 2,271,837	 \$ 356,543	 \$ 241,631	 \$ 1,451,433	 \$ 4,321,444	 \$ 4,592,061

On behalf of the Board:

_____ Director

_____ Director

(See accompanying notes to the financial statements)

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN
STATEMENT OF REVENUE AND EXPENDITURE AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Unrestricted		Restricted		2008	2007
	Canadian Heritage	General	John R. Stratton Fund	General	Total	Total
Revenue						
Donations						
Individual	\$ 0	\$ 71,279	\$ 0	\$ 117,383	\$ 188,662	\$ 199,971
Government	0	35,000	0	0	35,000	535,134
Corporate	0	5,919	0	18,500	24,419	39,500
Other associations	0	14,000	0	0	14,000	54,155
Specified gifts	0	0	0	0	0	25,000
Investment income	149,910	18,862	16,593	84,969	270,334	274,510
Unrealized investment gains/losses	(169,955)	(20,913)	(19,114)	(97,685)	(307,667)	0
	<u>(20,045)</u>	<u>124,147</u>	<u>(2,521)</u>	<u>123,167</u>	<u>224,748</u>	<u>1,128,270</u>
Expenditure						
Administration and fundraising						
Salaries and benefits	19,443	19,443	0	0	38,886	37,990
Office administration	6,127	6,127	0	0	12,254	5,424
Professional fees	1,346	1,346	0	0	2,692	6,516
Special events expense	0	207	0	0	207	325
Other	15,653	4,839	1,307	6,749	28,548	27,632
	<u>42,569</u>	<u>31,962</u>	<u>1,307</u>	<u>6,749</u>	<u>82,587</u>	<u>77,887</u>
Program						
Salaries and benefits	36,016	36,016	0	0	72,032	69,570
Program administration	8,101	8,101	0	0	16,202	21,098
Adjudication	6,930	6,930	750	0	14,610	25,452
	<u>51,047</u>	<u>51,047</u>	<u>750</u>	<u>0</u>	<u>102,844</u>	<u>116,120</u>
Grants						
Grants and awards	56,118	56,117	10,000	0	122,235	130,000
	<u>149,734</u>	<u>139,126</u>	<u>12,057</u>	<u>6,749</u>	<u>307,666</u>	<u>324,007</u>
Excess of revenue over expenditure	(169,779)	(14,979)	(14,578)	116,418	(82,918)	804,263
Balance of funds, beginning of year	2,367,369	554,105	266,128	1,380,938	4,568,540	3,764,277
Change in accounting policy (note 3)	(98,434)	(15,069)	(9,919)	(56,177)	(179,599)	0
Balance of funds, end of year	\$ 2,099,156	\$ 524,057	\$ 241,631	\$ 1,441,179	\$ 4,306,023	\$ 4,568,540

(See accompanying notes to the financial statements)

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

STATEMENT OF CHANGES IN CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Unrestricted		Restricted		2008 Total	2007 Total
	Canadian Heritage	General	John R. Stratton Fund	General		
Operating Activities						
Excess of revenue over expenditure	\$ (169,779)	\$ (14,979)	\$ (14,578)	\$ 116,418	\$ (82,918)	\$ 804,263
Changes in non-cash working capital						
Amounts receivable	0	192	0	0	192	575
Prepaid expenses	0	(3,242)	0	0	(3,242)	(36)
Accounts payable and accrued liabilities	(3,021)	(5,079)	0	0	(8,100)	(12,339)
Interfund balances	(4,604)	(15,508)	0	20,112	0	0
Change in accounting policy (note 3)	(98,434)	(15,069)	(9,919)	(56,177)	(179,599)	0
	(275,838)	(53,685)	(24,497)	80,353	(273,667)	792,463
Investing Activities						
Decrease (increase) in investments	275,838	17,766	24,497	57,002	375,103	(889,677)
Increase (decrease) in cash during the year	0	(35,919)	0	137,355	101,436	(97,214)
Cash, beginning of year	0	109,801	0	11,000	120,801	218,015
Cash, end of year	\$ 0	\$ 73,882	\$ 0	\$ 148,355	\$ 222,237	\$ 120,801

(See accompanying notes to the financial statements)

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

1. Authority, Objectives and Operations

The Foundation is incorporated under Part II of the Canada Corporations Act and commenced operations in 1995. Its objectives are to promote excellence in the arts in Canada by fostering education of the public at large in Canadian arts and by advancing the training of Canadian artists. The Foundation currently derives its revenue from donations and interest earned thereon.

The Foundation is a charitable organization registered with Canada Revenue Agency and is exempt from income taxes.

2. Significant Accounting Policies

a) Restricted fund accounting

The financial statements of the Foundation have been prepared using the restricted fund method of accounting. Revenue, expenditure, assets and liabilities are classified for accounting and reporting purposes into funds according to the objectives specified externally by donors or internally by the Board of Directors.

i) Unrestricted Fund

The unrestricted fund includes the revenue, expenditure, assets and liabilities related to the Foundation's general fundraising, granting and administrative activities.

ii) Restricted Fund

The restricted fund includes the revenue, expenditure, assets and liabilities related to donations received from external donors that have been restricted in use for specific purposes.

The Foundation holds a \$250,000 restricted donation from the Estate of John R. Stratton to assist promising singers or collaborative pianists by providing financial support for their advanced instruction in classical voice repertoire and singing techniques, or classical song, lieder or operatic repertoire as a collaborative pianist.

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

2. Significant Accounting Policies (continued)

b) Financial Instruments

All transactions related to financial instruments are recorded on a settlement date basis. The Foundation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Foundation's accounting policy for each category is as follows:

Held for trading

This category is comprised of cash and investments. They are carried on the statement of financial position at fair value with changes in fair value recognized in the statement of revenue and expenditure. Transaction costs related to instruments classified as held for trading are expensed as incurred.

Other financial assets and liabilities

Other financial assets and liabilities include amounts receivable and accounts payable and accrued liabilities. The fair value is considered the same as the carrying value due to the short-term nature of the assets and liabilities.

Fair values

The fair value of a financial instruments is the amount of consideration that would be agreed upon in an arms length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data.

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

2. Significant Accounting Policies (continued)

c) Revenue Recognition

Donations are recorded as revenue when received. In-kind contributions are recognized as revenue and corresponding expense upon receipt at their fair market value. Unrestricted contributions are recognized as revenue of the unrestricted fund. Restricted donations are recorded as revenue of the restricted fund. Interest revenue is recorded as earned.

d) Use of Estimates

The preparation of financial statements in conformity with Canadian 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 period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

3. Change in Accounting Policy

On January 1, 2008, the Foundation retroactively adopted, without restatements of prior periods, CICA Handbook Section 1530, "Comprehensive Income", Section 3251, "Equity", Section 3861, "Financial Instruments – Disclosure and Presentation", and Section 3855, "Financial Instruments – Recognition and Measurement". These new Handbook sections provide comprehensive requirements for the recognition and measurement of financial instruments. Handbook Section 1530 also introduces a new component of equity referred to as accumulated other comprehensive income. Section 3251, "Equity", replaces Section 3250, "Surplus" and incorporates amendments resulting from the issuance of Section 1530. Under these new standards, all financial instruments are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

In accordance with the provisions of these new standards, on January 1, 2008, the Foundation reflected an decrease of \$179,599 to the Fund Balances, related to restating the investments to fair value.

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

4. Investments

Held for trading	2008								2007			
	Unrestricted				Restricted				Total		Total	
	Canadian Heritage		General		John R. Stratton Fund		General					
	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value
Fixed Income Fund	\$ 1,896,602	\$ 1,808,646	\$ 235,643	\$ 223,991	\$ 207,022	\$ 195,852	\$ 1,116,436	\$ 1,056,201	\$ 3,455,703	\$ 3,284,690	\$ 3,566,416	\$ 3,428,584
Income and Growth	639,802	463,191	77,598	53,268	63,015	45,779	339,828	246,877	1,120,243	809,115	902,492	860,725
	<u>\$ 2,536,404</u>	<u>\$ 2,271,837</u>	<u>\$ 313,241</u>	<u>\$ 277,259</u>	<u>\$ 270,037</u>	<u>\$ 241,631</u>	<u>\$ 1,456,264</u>	<u>\$ 1,303,078</u>	<u>\$ 4,575,946</u>	<u>\$ 4,093,805</u>	<u>\$ 4,468,908</u>	<u>\$ 4,289,309</u>

The fair value of investments was determined by reference to published price quotations in an active market. Investment income includes interest, dividend and realized gains and losses.