

Financial Statements of

**THE HNATYSHYN FOUNDATION /
LA FONDATION HNATYSHYN**

Year ended December 31, 2005



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AUDITORS' REPORT

We have audited the statement of financial position of The Hnatyshyn Foundation / La Fondation Hnatyshyn as at December 31, 2005 and the statements of operations and changes in net assets 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants

Ottawa, Canada
May 23, 2006

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

Statement of Financial Position

December 31, 2005, with comparative figures for 2004

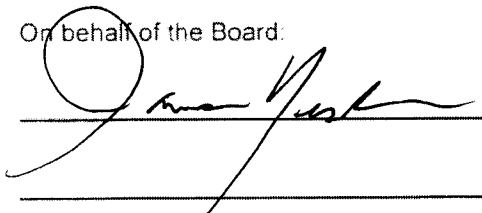
| | 2005 | 2004 |
|-------------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 140,882 | \$ 172,793 |
| Amounts receivable | 2,141 | 1,373 |
| Prepaid expenses | 648 | 586 |
| | <u>143,671</u> | <u>174,752</u> |
| Investments | 2,311,872 | 766,279 |
| John R. Stratton Fund - Investments | 260,064 | 253,126 |
| | <u>\$ 2,715,607</u> | <u>\$ 1,194,157</u> |

Liabilities and Net Assets

| | | |
|--|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 8,811 | \$ 9,656 |
| Net assets: | | |
| Unrestricted: | | |
| Canadian Heritage (note 3) | 1,199,770 | - |
| General | 436,412 | 318,125 |
| Restricted: | | |
| John R. Stratton Fund | 260,064 | 253,126 |
| General | 810,550 | 613,250 |
| | <u>2,706,796</u> | <u>1,184,501</u> |
| | <u>\$ 2,715,607</u> | <u>\$ 1,194,157</u> |

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director
 _____ Director

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

Statement of Operations

Year ended December 31, 2005, with comparative figures for the nine month period ended December 31, 2004

| | Unrestricted | | | Restricted | | 2005 Total | 2004 Total |
|--------------------------------------|----------------------|------------|-----------------------------|------------|------|---------------|---------------|
| | Canadian Heritage | General | John R. Straiton Fund | General | | | |
| Revenue: | | | | | | | |
| Donations: | | | | | | | |
| Individual | \$ - | \$ 6,010 | \$ - | \$ 61,300 | \$ - | \$ 67,310 | \$ 182,575 |
| Government | 1,200,000 | 12,500 | - | - | - | 1,212,500 | - |
| Corporate | - | - | - | 136,000 | - | 136,000 | 145,150 |
| Other associations | - | 96,583 | - | - | - | 96,583 | 86,350 |
| Oscar Peterson - event proceeds | - | - | - | - | - | - | 117,762 |
| Investment | 68,361 | 71,091 | 18,458 | - | - | 157,910 | 12,228 |
| | 1,268,361 | 186,184 | 18,458 | 197,300 | - | 1,670,303 | 544,065 |
| Expenses: | | | | | | | |
| Administration and fundraising: | | | | | | | |
| Salaries and benefits | 11,920 | 11,920 | - | - | - | 23,840 | 14,647 |
| Office administration | 4,488 | 4,488 | - | - | - | 8,976 | 5,361 |
| Professional fees | 3,070 | 3,070 | - | - | - | 6,140 | 3,127 |
| Other | 6,687 | 5,993 | 455 | - | - | 13,135 | 118,441 |
| Total administration and fundraising | 26,165 | 25,471 | 455 | - | - | 52,091 | 141,576 |
| Program: | | | | | | | |
| Salaries and benefits | 17,513 | 17,513 | - | - | - | 35,026 | 13,663 |
| Program administration | 2,783 | 2,783 | - | - | - | 5,566 | 2,713 |
| Adjudication | 2,130 | 2,130 | 1,065 | - | - | 5,325 | - |
| Total program | 22,426 | 22,426 | 1,065 | - | - | 45,917 | 16,376 |
| | 48,591 | 47,897 | 1,520 | - | - | 98,008 | 157,952 |
| Grants: | | | | | | | |
| Developing artist | 20,000 | 20,000 | 10,000 | - | - | 50,000 | - |
| Total grants | 20,000 | 20,000 | 10,000 | - | - | 50,000 | - |
| Total grant and expenses | 68,591 | 67,897 | 11,520 | - | - | 148,008 | 157,952 |
| Excess of revenue over expenses | \$ 1,199,770 | \$ 118,287 | \$ 6,938 | \$ 197,300 | \$ - | \$ 1,522,295 | \$ 386,113 |

See accompanying notes to financial statements.

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

Statement of Changes in Net Assets

Year ended December 31, 2005, with comparative figures for the nine month period ended December 31, 2004

| | Unrestricted | | Restricted | | 2005 Total | 2004 Total |
|---------------------------------|----------------------|-------------------|-----------------------------|-------------------|---------------------|---------------------|
| | Canadian Heritage | General | John R. Stratton Fund | General | | |
| Balance, beginning of period | \$ - | \$ 318,125 | \$ 253,126 | \$ 613,250 | \$ 1,184,501 | \$ 798,388 |
| Excess of revenue over expenses | 1,199,770 | 118,287 | 6,938 | 197,300 | 1,522,295 | 386,113 |
| Balance, end of period | \$ 1,199,770 | \$ 436,412 | \$ 260,064 | \$ 810,550 | \$ 2,706,796 | \$ 1,184,501 |

See accompanying notes to financial statements.

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

Notes to Financial Statements

Year ended December 31, 2005

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) Basis of presentation:

The financial statements of the Foundation have been prepared using the restricted fund method of accounting. Revenue, expenses, 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, expenses, assets and liabilities related to the Foundation's general fundraising, granting and administrative activities.

(ii) Restricted fund:

The restricted fund includes the revenue, expenses, 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.

(b) Investments:

Investments are marketable securities recorded at cost and guaranteed investment certificates recorded at cost plus accrued interest, which approximates market value. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

Notes to Financial Statements (continued)

Year ended December 31, 2005

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 financial statements and the reported amount of revenues and expenses during 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. Canadian Heritage:

The Foundation has an agreement with the Department of Canadian Heritage (the "Canadian Heritage") whereby the Canadian Heritage has approved a grant to the Foundation of \$2,500,000 in matching funds over three years, with \$1,200,000 paid in 2005 and \$650,000 to be paid in each of 2006 and 2007. The \$650,000 grant relating to 2006 was received in March 2006.

4. Financial instruments:

The carrying value of cash, amounts receivable, investments and accounts payable and accrued liabilities approximates their fair value due to the short term to maturities.

5. Statement of cash flows:

A statement of cash flows has not been presented as it would not provide additional meaningful information.

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Notes to Financial Statements (continued)

Year ended December 31, 2005

6. Disbursement quota:

The Foundation did not meet its disbursement quota for fiscal periods ending March 31, 2004 and December 31, 2004. The Foundation is currently in discussions with Canada Revenue Agency with respect to adjusting the disbursement quota for those periods. The Foundation met its disbursement quota for the period ending December 31, 2005.

7. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.