

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

FINANCIAL STATEMENTS

DECEMBER 31, 2006

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, 2006 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, 2006 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 Accountants

Ottawa, Ontario
June 20, 2007

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2006

	Unrestricted		Restricted		2006	2005
	Canadian Heritage	General	John R. Stratton Fund	General	Total	Total
ASSETS						
Current						
Cash	\$ 0	\$ 218,015	\$ 0	\$ 0	\$ 218,015	\$ 140,882
Amounts receivable	0	2,202	0	0	2,202	2,141
Prepaid expenses	0	689	0	0	689	648
	0	220,906	0	0	220,906	143,671
 Investments	 1,974,555	 0	 263,484	 1,341,192	 3,579,231	 2,571,936
	\$ 1,974,555	\$ 220,906	\$ 263,484	\$ 1,341,192	\$ 3,800,137	\$ 2,715,607
LIABILITIES AND BALANCE OF FUNDS						
Current						
Accounts payable and accrued liabilities	\$ 2,583	\$ 33,277	\$ 0	\$ 0	\$ 35,860	\$ 8,811
Interfund balances	126,515	(404,021)	0	277,506	0	0
	129,098	(370,744)	0	277,506	35,860	8,811
 Balance of funds	 1,845,457	 591,650	 263,484	 1,063,686	 3,764,277	 2,706,796
	\$ 1,974,555	\$ 220,906	\$ 263,484	\$ 1,341,192	\$ 3,800,137	\$ 2,715,607

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, 2006

	Unrestricted		Restricted		2006	2005
	Canadian Heritage	General	John R. Stratton Fund	General	Total	Total
Revenue						
Donations						
Individual	\$ 0	\$ 3,500	\$ 0	\$ 208,136	\$ 211,636	\$ 67,310
Government	650,000	37,500	0	0	687,500	1,212,500
Corporate	0	0	0	45,000	45,000	136,000
Other associations	0	100,988	0	0	100,988	96,583
Golf tournament proceeds	0	96,736	0	0	96,736	0
Investment	107,066	9,842	15,625	71,487	204,020	157,910
	757,066	248,566	15,625	324,623	1,345,880	1,670,303
Expenditure						
Administration and fundraising						
Salaries and benefits	16,516	16,516	0	0	33,032	23,840
Office administration	2,429	2,429	0	0	4,858	8,976
Professional fees	1,974	1,974	0	0	3,948	6,140
Golf tournament expense	0	55,113	0	0	55,113	0
Other	12,506	10,829	1,355	0	24,690	13,135
	33,425	86,861	1,355	0	121,641	52,091
Program						
Salaries and benefits	26,281	26,281	0	0	52,562	35,026
Program administration	1,773	1,773	0	0	3,546	5,566
Adjudication	3,900	3,900	850	0	8,650	5,325
	31,954	31,954	850	0	64,758	45,917
Grants						
Grants and awards	46,000	46,000	10,000	0	102,000	50,000
	111,379	164,815	12,205	0	288,399	148,008
Excess of revenue over expenditure	645,687	83,751	3,420	324,623	1,057,481	1,522,295
Balance of funds, beginning of year	1,199,770	436,412	260,064	810,550	2,706,796	1,184,501
Interfund transfers	0	71,487	0	(71,487)	0	0
Balance of funds, end of year	\$ 1,845,457	\$ 591,650	\$ 263,484	\$ 1,063,686	\$ 3,764,277	\$ 2,706,796

(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, 2006

	Unrestricted		Restricted		2006 Total	2005 Total
	Canadian Heritage	General	John R. Stratton Fund	General		
Operating Activities						
Excess of revenue over expenditure	\$ 645,627	\$ 80,192	\$ 3,670	\$ 327,991	\$ 1,057,480	\$ 1,522,295
Changes in non-cash working capital						
Amounts receivable	0	(61)	0	0	(61)	(768)
Prepaid expenses	0	(41)	0	0	(41)	(62)
Accounts payable and accrued liabilities	2,583	24,466	0	0	27,049	(845)
Interfund balances	47,166	(183,598)	0	136,432	0	0
	695,376	(79,042)	3,670	464,423	1,084,427	1,520,620
Investing Activities						
Maturity (acquisition) of investments	(695,376)	156,175	(3,670)	(464,423)	(1,007,294)	(1,552,531)
Increase in cash during the year	0	77,133	0	0	77,133	(31,911)
Cash, beginning of year	0	140,882	0	0	140,882	172,793
Cash, end of year	\$ 0	\$ 218,015	\$ 0	\$ 0	\$ 218,015	\$ 140,882

(See accompanying notes to the financial statements)

THE HNATYSHYN FOUNDATION / LA FONDATION HNATYSHYN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

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, 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

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2. Significant Accounting Policies (continued)

b) Investments

Investments are marketable securities recorded at cost. 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.

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. 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 up to \$2,500,000 in matching funds over three years, with \$1,200,000 paid in 2005, \$650,000 paid in 2006 and the balance to be paid in 2007.

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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. Disbursement Quota

The Foundation did not meet its disbursement quota for fiscal periods ending March 31, 2004 and December 31, 2004. The Foundations met its disbursement quota for the periods ending December 31, 2005 and December 31, 2006. Management is satisfied that current disbursements will resolve the matter in the near future.

6. Prior Year's Comparative Figures

The prior year's comparative figures were audited by another firm of chartered accountants.