



The Centre for International
Governance Innovation

Centre pour l'innovation dans
la gouvernance internationale

THE CENTRE FOR INTERNATIONAL GOVERNANCE INNOVATION

FINANCIAL STATEMENTS

JULY 31, 2010

ZEIFMANS
LLP
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Directors of
The Centre For International Governance Innovation

We have audited the statement of financial position of The Centre For International Governance Innovation as at July 31, 2010 and the statements of revenue and expenses and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization'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 organization as at July 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
October 1, 2010

Zeifmans LLP
Chartered Accountants
Licensed Public Accountants

STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2010

ASSETS

	2010								2009	
	Restricted Funds									
	<u>Long Term Endowment</u>	<u>Capital Asset</u>	<u>Campus</u>	<u>Musagetes</u>	<u>Africa</u>	<u>J Holmes</u>	<u>Decade</u>	<u>Operating</u>	<u>Total</u>	<u>Total</u>
Current assets										
Cash and cash equivalents	\$ 26,742,222	\$ -	\$ 8,122,168	\$ 982,040	\$ 419,378	\$ -	\$ 699,527	\$ 257,413	\$ 37,222,748	\$ 21,200,771
Accounts receivable	240,092	-	2,337,962	-	13,031	-	18,764	491,992	3,101,841	176,787
Prepaid expenses	-	-	-	-	5,000	-	-	166,616	171,616	332,121
	26,982,314	-	10,460,130	982,040	437,409	-	718,291	916,021	40,496,205	21,709,679
Other assets										
Property and equipment (note 3)	-	6,564,408	16,826,411	-	-	-	-	-	23,390,819	9,189,558
Investment in IGLOO Inc. (note 4)	-	-	-	-	-	-	-	671,064	671,064	2,103,419
Portfolio investments (note 5)	31,732,310	-	47,028,781	25,130,250	8,369,857	401,714	20,067,281	3,833,503	136,563,696	96,510,526
	31,732,310	6,564,408	63,855,192	25,130,250	8,369,857	401,714	20,067,281	4,504,567	160,625,579	107,803,503
TOTAL ASSETS	\$ 58,714,624	\$ 6,564,408	\$ 74,315,322	\$ 26,112,290	\$ 8,807,266	\$ 401,714	\$ 20,785,572	\$ 5,420,588	\$ 201,121,784	\$ 129,513,182

(See notes to financial statements)

STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2010

LIABILITIES AND FUND BALANCES

	2010								2009	
	Restricted Funds									
	Long Term Endowment	Capital Asset	Campus	Musagetes	Africa	J Holmes	Decade	Operating	Total	Total
Current liabilities										
Bank indebtedness (note 6)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,145,873
Accounts payable and accrued liabilities	375,918	125,586	2,818,654	-	27,050	-	239,745	516,821	4,103,774	1,331,229
Deferred revenue	-	-	-	-	-	-	-	83,332	83,332	-
Current portion of amount payable (note 7)	-	42,817	-	-	-	-	-	-	42,817	52,176
Unrealized loss on forward contracts (note 5)	217,652	-	-	-	-	-	-	-	217,652	13,283
	593,570	168,403	2,818,654	-	27,050	-	239,745	600,153	4,447,575	2,542,561
Long-term liabilities										
Amount payable (note 7)	-	72,640	-	-	-	-	-	-	72,640	114,131
TOTAL LIABILITIES	593,570	241,043	2,818,654	-	27,050	-	239,745	600,153	4,520,215	2,656,692
Fund balances										
Invested in capital assets	-	6,323,365	-	-	-	-	-	-	6,323,365	6,504,960
Externally restricted	58,121,054	-	70,296,668	26,112,290	8,780,216	401,714	20,545,827	-	184,257,769	113,842,959
Internally restricted	-	-	1,200,000	-	-	-	-	-	1,200,000	-
Unrestricted	-	-	-	-	-	-	-	4,820,435	4,820,435	6,508,571
TOTAL FUND BALANCES	58,121,054	6,323,365	71,496,668	26,112,290	8,780,216	401,714	20,545,827	4,820,435	196,601,569	126,856,490
	\$ 58,714,624	\$ 6,564,408	\$ 74,315,322	\$ 26,112,290	\$ 8,807,266	\$ 401,714	\$ 20,785,572	\$ 5,420,588	\$ 201,121,784	\$ 129,513,182

COMMITMENT (NOTE 9)

ON BEHALF OF THE BOARD

_____ DIRECTOR

_____ DIRECTOR

(See notes to financial statements)

STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2010

	2010								2009	
	Restricted Funds									
	Long Term Endowment	Capital Asset	Campus	Musagetes	Africa	J Holmes	Decade	Operating	Total	Total
REVENUE (LOSS)										
Donations	\$ 7,000,000	\$ -	\$ 51,200,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 58,220,000	\$ 74,135
Government grants	-	-	16,184,582	-	-	-	-	-	16,184,582	745,708
Realized investment income (loss)	-	-	482,382	(568,562)	428,355	1,472	1,441,886	4,826,755	6,612,288	(5,501,045)
Unrealized investment gain	-	-	(477,956)	2,435,391	(234,116)	-	388,796	754,447	2,866,562	1,818,831
Other	-	-	-	-	-	15,552	49,755	84,761	150,068	851,833
Share of loss on investment	-	-	-	-	-	-	-	(1,432,355)	(1,432,355)	(1,253,749)
	7,000,000	-	67,389,008	1,866,829	194,239	17,024	1,880,437	4,253,608	82,601,145	(3,264,287)
EXPENSES										
Research and conferences	-	-	180,327	-	859,111	6,450	4,010,008	2,942,165	7,998,061	7,727,513
Administration	-	-	161,739	-	243,342	805	530,627	1,280,326	2,216,839	1,297,021
IGLOO	-	-	-	-	-	-	-	-	-	717,846
Sponsorship donations	-	-	-	1,050,000	-	-	-	-	1,050,000	500,000
Technical support	-	-	5,881	-	15,128	9,257	404,373	266,914	701,553	532,108
Facilities	-	-	36,217	-	-	-	248,141	184,909	469,267	339,841
Amortization	-	420,346	-	-	-	-	-	-	420,346	397,485
	-	420,346	384,164	1,050,000	1,117,581	16,512	5,193,149	4,674,314	12,856,066	11,511,814
Excess of revenue over expenses (expenses over revenue)	7,000,000	(420,346)	67,004,844	816,829	(923,342)	512	(3,312,712)	(420,706)	69,745,079	(14,776,101)
Fund balance, beginning of the year as previously reported	49,988,446	6,504,960	10,026,045	25,295,461	9,372,725	404,123	22,581,070	2,683,660	126,856,490	141,632,591
Reclassification of donation (note 12)	-	-	(3,824,911)	-	-	-	-	3,824,911	-	-
Fund balance, beginning of the year as restated	49,988,446	6,504,960	6,201,134	25,295,461	9,372,725	404,123	22,581,070	6,508,571	126,856,490	141,632,591
Interfund transfers (note 12)	1,132,608	238,751	(1,709,310)	-	330,833	(2,921)	1,277,469	(1,267,430)	-	-
Fund balances, end of the year	\$ 58,121,054	\$ 6,323,365	\$ 71,496,668	\$ 26,112,290	\$ 8,780,216	\$ 401,714	\$ 20,545,827	\$ 4,820,435	\$ 196,601,569	\$ 126,856,490

(See notes to financial statements)

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JULY 31, 2010**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 69,745,079	\$ (14,776,101)
Items not requiring an outlay (providing an inflow) of cash:		
Unrealized gain on market value adjustment of portfolio investments	(2,866,562)	(1,818,831)
Amortization	420,346	397,485
Non-cash donation of shares	(56,999,990)	-
Share of loss of IGLOO Inc.	1,432,355	1,253,749
Gain (loss) on redemption and sale of portfolio investments	(2,484,859)	5,958,701
Net changes in non-cash working capital items related to operations:		
Accounts receivable	(2,925,054)	403,692
Accounts payable and accrued liabilities	2,772,545	46,232
Deferred revenue	83,332	(98,652)
Prepaid expenses	160,505	(101,993)
	<u>9,337,697</u>	<u>(8,735,718)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank indebtedness advance	-	3,459,533
Repayment of bank indebtedness	(1,145,873)	(2,313,660)
	<u>(1,145,873)</u>	<u>1,145,873</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	(14,621,607)	(2,612,403)
Repayment of amount payable	(50,850)	(53,761)
Purchase of portfolio investments	(82,198,103)	(89,300,597)
Proceeds on redemption and sale of portfolio investments	104,700,713	98,786,158
	<u>7,830,153</u>	<u>6,819,397</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR	16,021,977	(770,448)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	21,200,771	21,971,219
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 37,222,748	\$ 21,200,771
Cash and cash equivalents, end of the year are comprised as follows:		
Cash in bank and with brokers	\$ 36,050,708	\$ 21,200,771
Guaranteed Investment Certificates with maturities less than 90 days	1,172,040	-
	<u>\$ 37,222,748</u>	<u>\$ 21,200,771</u>

1. BASIS OF PRESENTATION

The Centre for International Governance Innovation ("CIGI" or the "Organization") is a charitable organization which provides equipment and staff, maintains and operates a research institute for the purposes of undertaking research in the areas relating to the relationship between technology, population, economic activity, culture, education, politics and the environment and disseminates the results of such research to Canadian universities and the general public. The Organization is incorporated under the *Canada Corporations Act* as a not-for-profit organization and is a registered charity under the Income Tax Act. As a result, the Organization is not subject to income taxes. The Organization prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Fund accounting -

The Organization follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Capital Asset Fund reports the assets, liabilities, revenue and expenses related to the Organization's capital assets, excluding those of the CIGI Campus (the "Campus").

The Musagetes Fund is focused on the advancement of the arts in Canada and internationally.

Resources contributed for endowment are included in the Long Term Endowment Fund. Certain of such resources are to be held for a period of ten years or upon the dissolution, liquidation or winding up of the Organization, whichever occurs later. Certain of such resources contributed by the Federal Government of Canada is restricted in perpetuity. Investment income earned on resources of the Long Term Endowment Fund is reported in the Operating Fund.

The Decade Fund is focused on long-term research and capacity building projects to contribute to the development of innovative ideas that are relevant to the Province of Ontario.

The Africa Fund is focused on the effects of climate change on Africa's security and socioeconomic development.

The Campus Fund is a CIGI initiative in collaboration with provincial and federal governments designed to house several graduate schools and programs. One such initiative is the already established Balsillie School of International Affairs ("BSIA"). Other initiatives on the Campus are currently being developed by CIGI. As a hub of different schools and programs, the Campus will cultivate an interdisciplinary learning environment focused on developing knowledge of global issues.

The John Holmes Fund is focused on funding the operations of the library.

(b) Revenue recognition -

Contributions are recognized as revenue in the Long Term Endowment Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund when received.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions of other materials and services are recognized at fair value on the date of contribution if fair value can be reasonably estimated.

(c) Cash and cash equivalents -

Cash and cash equivalents consist of balances with banks and brokers, bank overdrafts and investments in money market instruments with original maturities of three months or less.

(d) Portfolio investments -

Mutual funds, equities, fixed income fund units are carried at fair value based on bid market price. Alternative investments are carried at fair value based on quoted market price. The fair value of derivative financial instruments is based on the estimated amounts receivable or payable from the derivative contracts at the reporting date. The marketable securities have been designated as held for trading. Realized and unrealized gains or losses are recognized in the excess of revenue over expenses for the year.

The Organization has chosen to apply Section 3861 *Financial Instruments - Disclosure and Presentation*.

(e) Property and equipment -

Property and equipment are stated at cost and amortization is provided as follows:

Buildings and improvements	- straight-line over ten to forty years
Computer equipment	- straight-line over three years
Furniture and fixtures	- straight-line over five years
Office equipment	- straight-line over three years
Vehicles	- straight-line over five years
Computer software	- straight-line over three years

One-half of the above rates is applied in the year of acquisition.

The Organization tests for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through the direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(f) **Investment in significantly influenced company -**

The investment in the company subject to significant influence is accounted for by the equity method. Under this method, the original cost of the investment is adjusted for the Organization's share of dividends received and undistributed earnings or losses since acquisition.

(g) **Contributed services -**

Volunteers contribute many hours per year to assist the Organization in carrying out its charitable activities. Because of the difficulty in determining their fair value, contributed services are recognized in these financial statements only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

(h) **Measurement uncertainty -**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amount of revenue and expenses during the reported period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the excess of revenue over expenses in the period in which such adjustments become known. An example of the use of estimates is in determination of the useful life of property and equipment.

(i) **Comparative figures -**

Certain of the prior year figures have been reclassified for consistency with the presentation adopted for the current year.

3. PROPERTY AND EQUIPMENT

Property and equipment are comprised as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Buildings and improvements	\$ 23,063,538	\$ 1,297,104	\$ 21,766,434	\$ 7,411,166
Land	1,399,106	-	1,399,106	1,399,106
Computer equipment	769,832	696,436	73,396	136,402
Furniture and fixtures	324,897	255,074	69,823	129,124
Computer software	80,688	44,619	36,069	62,205
Office equipment	319,651	290,037	29,614	28,631
Vehicles	50,171	33,794	16,377	22,924
	<u>\$ 26,007,883</u>	<u>\$ 2,617,064</u>	<u>\$ 23,390,819</u>	<u>\$ 9,189,558</u>

Included in buildings and improvements is \$16,826,411 relating to the Campus. This amount has not been amortized as construction has not been completed.

4. INVESTMENT IN IGLOO INC.

In February 2008, the Organization sold certain technology and capital assets to The IGLOO Trust (the "Trust") in exchange for a \$4,000,000 limited recourse demand promissory note. The Trust immediately sold the technology and capital assets in exchange for a 48.5% interest in IGLOO Inc. IGLOO Inc. is an online software network that facilitates knowledge exchange between individuals and organizations. Another investor in IGLOO Inc. contributed \$4 million in cash for an equivalent interest as the Trust. As a result, since the Organization is the beneficiary of the Trust, the Organization recorded an investment in IGLOO Inc. at an original amount of \$4,000,000. All shareholders of IGLOO Inc. share equally in any undistributed earnings or losses. However, in the event of liquidation, the Organization, as beneficiary, and the investor that contributed \$4 million in cash will receive, before any other shareholders, their original contribution of \$4 million each, or less if proceeds are less than \$8 million. As a result, IGLOO Inc. is a variable interest entity. However, since the Organization and the investor of the \$4 million in cash share equally in all respects, there is no primary beneficiary of IGLOO Inc. Therefore, the investment in IGLOO Inc. is not consolidated but is accounted for using the equity method.

5. PORTFOLIO INVESTMENTS

Portfolio investments are recorded at fair value and are comprised as follows:

	<u>2010</u>	<u>2009</u>
Equities	\$ 98,209,243	\$ 74,431,412
Money market fund units	8,134,566	9,695,066
Fixed income fund units	26,877,106	9,308,302
Alternative investments	3,336,253	2,543,622
Unrealized gain on forward currency contracts (a)	6,528	532,124
	136,563,696	96,510,526
Unrealized loss on forward currency contracts (a)	(217,652)	(13,283)
	\$ 136,346,044	\$ 96,497,243

- (a) The Organization enters into foreign currency forward contracts. These contracts allow the Organization to sell specific amounts of foreign currencies at a set price at specific future dates. The Canadian dollar amounts that could be received and the weighted average exchange rates for the foreign currency forward contracts are comprised as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Contract Amount Canadian \$</u>	<u>Weighted Average Rate</u>	<u>Contract Amount Canadian \$</u>	<u>Weighted Average Rate</u>
Euro	\$ 725,407	\$ 1.2611	\$ 777,646	\$ 1.5811
British pound	399,343	1.5805	580,741	1.7786
Japanese yen	98,587	0.0115	166,437	0.0121
US dollar	<u>4,866,519</u>	0.9049	<u>8,219,266</u>	1.1464
Total	<u>\$ 6,089,856</u>		<u>\$ 9,744,090</u>	

The exchange rates at July 31 were:

	<u>2010</u>	<u>2009</u>
Euro	1.3447	1.5406
British pound	1.6169	1.8033
Japanese yen	0.0119	0.0114
US dollar	1.0290	1.0790

6. BANK INDEBTEDNESS

The Organization has a \$500,000 overdraft credit facility against which \$nil has been drawn as at July 31, 2010. Under the overdraft credit facility agreement outstanding amounts bear interest at the bank's prime lending rate plus 0.75% per annum.

In the previous year, the Organization had a \$5,000,000 overdraft credit facility against which \$1,145,873 had been drawn as at July, 31 2009. In November 2009 the amount outstanding was repaid and the facility terminated.

7. AMOUNT PAYABLE

The Organization is committed as follows to future payments relating to the relocation of a former tenant of a building owned by the Organization:

	2011	\$ 51,764
	2012	46,372
	2013	<u>32,712</u>
		130,848
<u>Less:</u> Interest included above at rate of 7.75% per annum		<u>15,391</u>
		115,457
<u>Less:</u> Current portion		<u>42,817</u>
		<u>\$ 72,640</u>

8. CAPITAL DISCLOSURES

The Organization's capital is comprised of its net fund balances. The Organization's capital management objectives are to safeguard its capital and to ensure it is able to finance its growth and strategic plans. There were no changes to the Organization's approach to capital management during the year.

Included in the Organization's capital is a grant from the Federal Government of Canada ("Government") provided in fiscal 2003. This grant was received on condition that certain donations were also received. The sum of these amounts is to be protected in perpetuity. The agreement with the Government acknowledged that the Organization could encroach on the capital balance in any of the first three years of the agreement. Subsequently the capital balance would be adjusted by any revenues earned by the Organization in the year less any expenses provided in the agreement. The capital balance is not permitted to fall below \$53,500,000.

At July 31, 2010, the capital balance, calculated in accordance with the terms of the funding agreement is \$53,804,184 (2009 - \$47,507,499). This balance is comprised of amounts in the Long-Term Endowment, Program, Capital Asset and Operating Funds although amounts not related to this capital balance are also included in those funds.

9. COMMITMENTS

The Organization is committed to making payments to various organizations towards various initiatives to promote public interest and debate regarding Canadian foreign policy and international relations and in international relations and international institution-building and governance.

These payments are due and will be expensed as follows:

In the year ending July 31, 2011	\$ 730,000
2012	730,000
2013	730,000
2014	730,000
2015	730,000
2016	730,000
2017	<u>730,000</u>
	<u>\$ 5,110,000</u>

The Organization has a commitment to lease land from the City of Waterloo for a period of ninety-nine years ending June 2107 for \$1 per annum for the purposes of the School.

During the year the Organization signed a funding agreement with the Minister of Training, Colleges and Universities and the Minister of Energy and Infrastructure (the "Ministries"). The Ministries are to provide a grant for the Campus in the amount of \$50,000,000. To date, approximately \$16,184,000 has been received and included in the statement of operations.

10. CASH FLOW AND SUPPLEMENTARY INFORMATION**(a) Interest paid -**

Cash interest paid during the year was \$20,047 (2009 - \$17,055)

(b) Non-cash donations -

During the year, the Organization recorded \$56,999,990 donation revenue in the form of a portfolio investment (2009 - \$nil). (see note 13).

(c) Foreign exchange -

Included in investment income (loss) is a foreign currency translation gain of \$1,137,179 (2009 - loss of \$2,815,186).

11. FINANCIAL INSTRUMENTS

The Organization's financial instruments include cash, portfolio investments, accounts receivable, accounts payable, forward contracts and amount payable. Unless otherwise noted, the carrying value of these instruments approximates their fair value.

The portfolio is exposed to price risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Approximately 63% (2009 - 80%) of the Organizations investments are in equities and alternative investments and subject to price risk.

The Organization is also subject to foreign exchange risk as \$8,142,493 (2009 - \$17,256,544) of portfolio investments and \$848,686 (2009 - \$4,212,508) of cash and cash equivalents are denominated in United States dollars. Some of this risk is offset by the use of forward contracts denominated in United States dollars. In addition, the Organization is subject to foreign exchange risk on forward contracts in other currencies in that there is no cash or investments denominated in those currencies at year end. (see note 5).

Approximately 16% (2009 - 10%) of portfolio investments are invested in fixed income securities and are subject to interest rate risk.

Certain of the organization's financial instruments are also subject to credit risk, being the risk of financial loss occurring as a result of default of counterparties on their obligations. As at July 31, 2010, 72% of the Organization's receivable balance relates to one counterparty

The Organization manages risk by employing professional, experienced portfolio advisors, by daily monitoring of the Organization's positions and market events, and by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risk, the Organization also maintains a governance structure that oversees the Organization's investment activities and monitors compliance with the Organization's stated investment strategy and securities regulations.

12. INTERFUND TRANSFERS

Transfers between funds during a reporting period do not result in increases or decreases in the economic resources of the Organization as a whole. These transfers represent an allocation of resources between various funds.

The following table summarizes the transfers during the year:

	<u>Transfers to (from)</u>							
	<u>Endowment Fund</u>	<u>Capital Asset Fund</u>	<u>Campus Fund</u>	<u>Musagetes Fund</u>	<u>Africa Fund</u>	<u>John Holmes Fund</u>	<u>Decade Fund</u>	<u>Operating Fund</u>
From Operating Fund to Endowment Fund (a)	\$ 1,572,608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,572,608)
From Campus Fund to Operating Fund (b)	-	-	(1,709,310)	-	-	-	-	1,709,310
From Operating Fund to Capital Asset Fund (c)	-	238,751	-	-	-	-	-	(238,751)
From Endowment Fund to Africa Fund (d)	(440,000)	-	-	-	440,000	-	-	-
From Operating Fund to Decade Fund (e)	-	-	-	-	-	-	1,051,081	(1,051,081)
From Africa Fund to Operating Fund (f)	-	-	-	-	(109,167)	-	-	109,167
From John Holmes Fund to Operating Fund (g)	-	-	-	-	-	(2,921)	-	2,921
From Operating Fund to Decade Fund (h)	-	-	-	-	-	-	226,388	(226,388)
	<u>\$ 1,132,608</u>	<u>\$ 238,751</u>	<u>\$ (1,709,310)</u>	<u>\$ -</u>	<u>\$ 330,833</u>	<u>\$ (2,921)</u>	<u>\$ 1,277,469</u>	<u>\$ (1,267,430)</u>

- (a) The transfer from the Operating Fund to the Endowment Fund was to finance prior year shortfalls.
- (b) The transfer from the Campus Fund to the Operating Fund was made to refund operations for previous outlays for property and equipment acquisitions.
- (c) The transfer from the Operating Fund to the Capital Asset Fund was made to fund outlays for property and equipment acquisitions and repayment of the amount payable due in the current period.
- (d) The transfer from the Endowment Fund to the Africa Fund was made as a reimbursement of administrative costs.
- (e) The transfer from the Operating Fund to the Decade Fund was made to fund shortfalls in revenue.
- (f) The transfer from the Africa Fund to the Operating Fund was to fund shortfalls in revenue.
- (g) The transfer from the John Holmes Fund to the Operating Fund was to fund shortfalls in revenue.
- (h) The transfer from the Operating Fund to the Decade Fund was to reimburse the Decade Fund for certain expenses.
- (i) The transfer of a contribution made in fiscal 2008 to the Operating Fund from the Campus Fund. The amount of the contribution plus any income earned less expenses incurred at July 31, 2009 is \$3,824,911.

13. RELATED PARTY TRANSACTIONS

During the year, the Organization received shares in the amount of \$56,999,990 donated by a director of the Organization (2009 - \$nil) and cash donations of \$1,200,000 from certain directors of the Organization (2009 - \$nil).

Related party transactions are recorded at the fair market value on the date of donation which is also the exchange amount and the amount agreed to by the related parties.

14. SUBSEQUENT EVENT

On October 1, 2010 the Organization transferred the cash and investments of Musagetes Fund to Stonefields Foundation, (the "Foundation"). The Foundation is not related to the Organization.