



The Centre for International
Governance Innovation
Centre pour l'innovation dans
la gouvernance internationale

THE CENTRE FOR INTERNATIONAL GOVERNANCE INNOVATION

FINANCIAL STATEMENTS

JULY 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Directors of
The Centre for International Governance Innovation

We have audited the accompanying financial statements of The Centre for International Governance Innovation (the "Organization"), which comprise the statement of financial position as at July 31, 2011, and the statements of revenues and expenses and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at July 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

November 6, 2011
Toronto, Ontario

Zeifmans LLP

Chartered Accountants
Licensed Public Accountants

STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2011

ASSETS

	2011						2010			
	Long Term Endowment	Capital Asset	Campus	Musagetes	Africa	J Holmes	Decade	Operating	Total	Total
Restricted Funds										
Current assets										
Cash and cash equivalents	\$ 2,153,725	\$ -	\$ 1,241,577	\$ -	\$ 110,724	\$ 575	\$ 325,945	\$ 809,005	\$ 4,641,551	\$ 37,222,748
Accounts receivable	-	-	2,087,426	-	-	-	-	232,030	2,319,456	3,101,841
Prepaid expenses	-	-	5,963	-	-	-	-	131,982	137,945	171,616
	2,153,725	-	3,334,966	-	110,724	575	325,945	1,173,017	7,098,952	40,496,205
Other assets										
Property and equipment (note 3)	-	6,328,767	60,902,457	-	-	-	-	-	67,231,224	23,390,819
Investment in IGLOO Inc. (note 4)	-	-	-	-	-	-	-	-	-	671,064
Portfolio investments (note 5)	57,849,686	-	46,176,626	-	8,370,416	404,320	19,139,569	9,880,438	141,821,055	136,563,696
	57,849,686	6,328,767	107,079,083	-	8,370,416	404,320	19,139,569	9,880,438	209,052,279	160,625,579
TOTAL ASSETS	\$ 60,003,411	\$ 6,328,767	\$ 110,414,049	\$ -	\$ 8,481,140	\$ 404,895	\$ 19,465,514	\$ 11,053,455	\$ 216,151,231	\$ 201,121,784

(See notes to financial statements)

THE CENTRE FOR INTERNATIONAL GOVERNANCE INNOVATION

**STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2011**

LIABILITIES AND FUND BALANCES

	2011						2010			
	Long Term Endowment	Capital Asset	Campus	Musagetes	Africa	J Holmes	Decade	Operating	Total	Total
Current liabilities										
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 11,903,099	\$ -	\$ 38,786	-	\$ 131,789	\$ 564,996	\$ 12,638,670	\$ 4,103,774
Deferred revenue	-	-	-	-	-	-	-	26,065	26,065	83,332
Current portion of amount payable (note 7)	-	40,743	-	-	-	-	-	-	40,743	42,817
Unrealized loss on forward contracts (note 5)	6,740	-	-	-	-	-	-	-	6,740	217,652
	6,740	40,743	11,903,099	-	38,786	-	131,789	591,061	12,712,218	4,447,575
Long-term liabilities										
Amount payable (note 7)	-	31,897	-	-	-	-	-	-	31,897	72,640
TOTAL LIABILITIES	6,740	72,640	11,903,099	-	38,786	-	131,789	591,061	12,744,115	4,520,215
Fund balances										
Invested in capital assets	-	6,256,127	60,902,457	-	-	-	-	-	67,158,584	12,887,773
Externally restricted	59,996,671	-	36,471,683	-	8,442,354	404,895	19,333,725	-	124,649,328	177,693,361
Internally restricted	-	-	1,136,810	-	-	-	-	-	1,136,810	1,200,000
Unrestricted	-	-	-	-	-	-	-	10,462,394	10,462,394	4,820,435
TOTAL FUND BALANCES	59,996,671	6,256,127	98,510,950	-	8,442,354	404,895	19,333,725	10,462,394	203,407,116	196,601,569
	\$ 60,003,411	\$ 6,328,767	\$ 110,414,049	\$ -	\$ 8,481,140	\$ 404,895	\$ 19,465,514	\$ 11,053,455	\$ 216,151,231	\$ 201,121,784

COMMITMENTS (NOTE 9)

APPROVED AND AUTHORIZED FOR ISSUE BY THE COMPANY'S BOARD OF DIRECTORS ON NOVEMBER 6, 2011.

DIRECTOR

DIRECTOR

(See notes to financial statements)

THE CENTRE FOR INTERNATIONAL GOVERNANCE INNOVATION

**STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2011**

	2011						2010			
	Restricted Funds									
	Long Term Endowment	Capital Asset	Campus	Musagets	Africa	J Holmes	Decade	Operating	Total	Total
REVENUE (LOSS)										
Government grants	\$ -	\$ -	\$ 33,815,409	\$ -	\$ -	\$ -	\$ -	\$ 143,599	\$ 33,959,008	\$ 16,184,582
Realized investment income (loss)	-	-	662,613	19,324	430,176	3,181	1,448,423	5,842,400	8,406,117	6,612,288
Unrealized investment gain	-	-	558,101	754,902	111,643	-	-	1,971,161	3,395,807	2,866,562
Other	-	-	-	-	-	14,228	-	71,790	86,018	150,068
Donations	-	-	-	-	-	-	-	-	-	58,220,000
Share of loss on investment	-	-	-	-	-	-	-	(671,064)	(671,064)	(1,432,355)
	-	-	35,036,123	774,226	541,819	17,409	1,448,423	7,357,886	45,175,886	82,601,145
EXPENSES										
Research and conferences	-	-	743,033	-	796,473	6,838	2,959,919	3,792,895	8,299,158	7,998,061
Administration	-	-	66,110	-	225,295	604	5,885	1,566,841	1,864,735	2,216,839
Sponsorship donations (note 14)	-	-	-	26,886,516	-	-	-	-	26,886,516	1,050,000
Technical support	-	-	28,869	-	7,105	2,479	64,597	355,258	458,308	701,553
Facilities	-	-	-	-	31	-	390	466,136	466,557	469,267
Amortization	-	395,065	-	-	-	-	-	-	395,065	420,346
	-	395,065	838,012	26,886,516	1,028,904	9,921	3,030,791	6,181,130	38,370,339	12,856,066
Excess of revenue over expenses (expenses over revenue)	-	(395,065)	34,198,111	(26,112,290)	(487,085)	7,488	(1,582,368)	1,176,756	6,805,547	69,745,079
Fund balance, beginning 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
Interfund transfers (note 12)	1,875,617	327,827	(7,183,829)	-	149,223	(4,307)	370,266	4,465,203	-	-
Fund balances, end of the year	\$ 59,996,671	\$ 6,256,127	\$ 98,510,950	\$ -	\$ 8,442,354	\$ 404,895	\$ 19,333,725	\$ 10,462,394	\$ 203,407,116	\$ 196,601,569

(See notes to financial statements)

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JULY 31, 2011**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 6,805,547	\$ 69,745,079
Items not requiring an outlay (providing an inflow) of cash:		
Unrealized investment gain	(3,395,807)	(2,866,562)
Amortization	395,065	420,346
Non-cash donations	25,904,476	(56,999,990)
Share of loss of IGLOO Inc.	671,064	1,432,355
Gain on redemption and sale of portfolio investments	(4,921,577)	(2,484,859)
Net changes in non-cash working capital items related to operations:		
Accounts receivable	782,385	(2,925,054)
Accounts payable and accrued liabilities	8,534,896	2,772,545
Deferred revenue	(57,267)	83,332
Prepaid expenses	33,671	160,505
	34,752,453	9,337,697
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank indebtedness	-	(1,145,873)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(44,235,470)	(14,621,607)
Repayment of amount payable	(42,817)	(50,850)
Purchase of portfolio investments	(89,092,744)	(82,198,103)
Proceeds on redemption and sale of portfolio investments	66,037,381	104,700,713
	(67,333,650)	7,830,153
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR	(32,581,197)	16,021,977
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	37,222,748	21,200,771
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 4,641,551	\$ 37,222,748
Cash and cash equivalents, end of the year are comprised as follows:		
Cash in bank and with brokers	\$ 4,641,551	\$ 36,050,708
Guaranteed Investment Certificates with maturities less than 90 days	-	1,172,040
	\$ 4,641,551	\$ 37,222,748

1. BASIS OF PRESENTATION

The Centre for International Governance Innovation ("CIGI" or the "Organization") is a charitable organization and an independent, nonpartisan think tank on international governance. Led by experienced practitioners and distinguished academics, CIGI supports research, forms networks, advances policy debate and generates ideas for multilateral governance improvements. Conducting an active agenda of research, events and publications, CIGI's interdisciplinary work includes collaboration with policy, business and academic communities around the world. 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.

(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 and accrued liabilities.

(i) **Comparative figures -**

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

(j) **Recent accounting pronouncements -**

The CICA has issued a new accounting framework applicable for not-for-profit organizations. Effective for fiscal years beginning on January 1, 2012, the Organization will be required to choose between the International Financial Reporting Standards ("IFRS") and Canadian accounting standards applicable to not-for-profit organizations ("ASNPO"). Early adoption of these standards is permitted. The Organization intends to adopt ASNPO for its fiscal year commencing August 1, 2012. The Organization does not expect this transition to have a material impact on its financial results or operations.

3. PROPERTY AND EQUIPMENT

Property and equipment are comprised as follows:

		2011		2010
	Cost	Accumulated amortization	Net book value	Net book value
Buildings and improvements	\$ 67,089,332	\$ 1,530,719	\$ 65,558,613	\$ 21,766,434
Land	1,399,106	-	1,399,106	1,399,106
Computer equipment	844,495	762,524	81,971	73,396
Furniture and fixtures	445,618	301,539	144,079	69,823
Computer software	82,902	69,812	13,090	36,069
Office equipment	331,730	307,191	24,539	29,614
Vehicles	50,171	40,345	9,826	16,377
	\$ 70,243,354	\$ 3,012,130	\$ 67,231,224	\$ 23,390,819

Included in buildings and improvements is \$60,807,987 (2010 - \$16,826,411) and included in furniture and fixture is \$94,469 (2010 - \$nil) relating to the Campus. These amounts have not been amortized as the Campus was not completed at year end.

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.

NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2011

5. PORTFOLIO INVESTMENTS

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

	<u>2011</u>	<u>2010</u>
Equities and equity mutual funds	\$ 48,197,907	\$ 78,568,717
Money market fund units	404,320	8,134,566
Fixed income fund units	66,314,532	26,877,106
Alternative investments	25,726,414	22,976,779
Term deposits	1,136,810	-
Unrealized gain on forward currency contracts (a)	41,072	6,528
	141,821,055	136,563,696
Unrealized loss on forward currency contracts (a)	(6,740)	(217,652)
	\$ 141,814,315	\$ 136,346,044

- (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>2011</u>		<u>2010</u>	
	<u>Contract Amount Canadian \$</u>	<u>Weighted Average Rate</u>	<u>Contract Amount Canadian \$</u>	<u>Weighted Average Rate</u>
Euro	\$ 472,790	\$ 1.3323	\$ 725,407	\$ 1.2611
British pound	549,548	1.5685	399,343	1.5805
Japanese yen	97,569	0.0119	98,587	0.0115
US dollar	<u>2,480,346</u>	0.9046	<u>4,866,519</u>	0.9049
Total	<u>\$ 3,600,253</u>		<u>\$ 6,089,856</u>	

The exchange rates at July 31 were:

	<u>2011</u>	<u>2010</u>
Euro	1.3722	1.3447
British pound	1.5694	1.6169
Japanese yen	0.0124	0.0119
US dollar	0.9538	1.0290

6. BANK INDEBTEDNESS

The Organization has an unsecured \$500,000 overdraft credit facility against which \$nil has been drawn as at July 31, 2011 (2010 - \$nil). Under the overdraft credit facility agreement outstanding amounts bear interest at the bank's prime lending rate plus 0.75% per annum.

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:

In the year ending July 31, 2012	\$	46,372
2013		<u>32,712</u>
		79,084
<u>Less:</u> Interest included above at rate of 7.75% per annum		<u>6,444</u>
		72,640
<u>Less:</u> Current portion		<u>40,743</u>
	\$	<u>31,897</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 Endowment Fund is a restricted fund created by contributors including the Federal Government of Canada. The income from the fund is used for the Organization's operations but the capital is restricted from encroachment, is to be protected in perpetuity and may not fall below \$30,000,000.

At July 31, 2011, the capital balance of this fund is calculated to be \$50,650,903 (2010 - \$50,650,903).

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, 2012	\$ 730,000
2013	730,000
2014	730,000
2015	730,000
2016	730,000
2017	<u>730,000</u>
	<u>\$ 4,380,000</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 Campus.

During the year the Organization signed a program agreement with the Institute for New Economic Thinking. The Organization is committed to expenditures of \$25,000,000 over the term of the agreement which is to expire July 31, 2016. As at July 31, 2011 the Organization has incurred cumulative expenses in the amount of \$515,577.

During the previous year the Organization signed a funding agreement with the Minister of Training, Colleges and Universities (the "Provincial Minister") and the Minister of Energy and Infrastructure (the "Federal Minister"). The Provincial and Federal Ministries are to provide a grant for the Campus in the amount of \$50,000,000. To date, \$50,000,000 (2010 - \$16,184,000) has been received and is included in the statement of operations. The Campus was completed after the Organization's fiscal year end.

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

Cash interest paid during the year was \$8,948 (2010 - \$20,047).

(b) Non-cash donations -

During the previous year, the Organization recorded \$56,999,990 donation revenue in the form of a portfolio investment (see note 13). No similar donations were received in the current year.

(c) Foreign currency translation gain -

Included in investment income (loss) is a foreign currency translation gain of \$261,384 (2010 - gain of \$1,115,435).

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 52% (2010 - 74%) of the Organization's investments are in equities and alternative investments and subject to price risk.

The Organization is also subject to foreign exchange risk as \$6,205,462 (2010 - \$8,142,493) of portfolio investments and \$571,883 (2010 - \$848,686) 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 47% (2010 - 19%) 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, 2011, there is no significant concentration of the Organization's receivable balance (2010 - 72% relating 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.

NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2011

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:

	Transfers to (from)							
	Endowment Fund	Capital Asset Fund	Campus Fund	Musagetes Fund	Africa Fund	J Holmes Fund	Decade Fund	Operating Fund
From Operating Fund to Endowment Fund (a)	\$ 1,875,617	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,875,617)
From Operating Fund to Capital Fund (b)	-	327,827	-	-	-	-	-	(327,827)
From Operating Fund to Africa Fund (c)	-	-	-	-	149,223	-	-	(149,223)
From Operating Fund to Decade Fund (d)	-	-	-	-	-	-	370,266	(370,266)
From J Holmes Fund to Operating Fund (e)	-	-	-	-	-	(4,307)	-	4,307
From Campus Fund to Operating Fund (f)	-	-	(7,183,829)	-	-	-	-	7,183,829
	\$ 1,875,617	\$ 327,827	\$ (7,183,829)	\$ -	\$ 149,223	\$ (4,307)	\$ 370,266	\$ 4,465,203

(a) The transfer from the Operating Fund to the Endowment Fund was to finance prior year shortfalls.

(b) 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.

(c) The transfer from the Operating Fund to the Africa Fund was made as a net reimbursement of administrative costs.

(d) The transfer from the Operating Fund to the Decade Fund was made to fund shortfalls in revenue.

(e) The transfer from the J Holmes Fund to the Operating Fund was made as a reimbursement of administrative costs.

(f) The transfer from the Campus Fund to the Operating Fund was made to reimburse the Operating Fund for previous outlays for property and equipment acquisitions as well as to transfer \$4.7 million as approved by the Organization's Board of Directors.

13. RELATED PARTY TRANSACTIONS

During the prior year, the Organization received shares in the amount of \$56,999,990 donated by a director of the Organization and cash donations of \$1,200,000 from certain directors of the Organization. There were no similar donations in the current year.

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

14. TRANSFER OF FUND

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. As a result, after the transfer the Musagetes Fund no longer exists.