

**Stephen Leacock
Foundation for Children**

Financial Statements

For the Year Ended December 31, 2008

AUDITORS' REPORT

To the Board of Directors of
Stephen Leacock Foundation for Children

We have audited the statement of financial position of **Stephen Leacock Foundation for Children** as at **December 31, 2008** and the statements of operations and general fund balance 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.

Except as explained in the following paragraph, 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.

The Foundation derives certain revenues from specific activities, the completeness of which was not susceptible to satisfactory audit verification. Accordingly, our verification of the revenues was limited to amounts recorded by the organization and as a result we were not able to determine whether any adjustments might be necessary to revenues, excess (deficiency) of revenue over expenditures, assets and fund balance's with respect to completeness of these records.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues and expenditures referred to in the preceding paragraph, 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 its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Licensed Public Accountants

June 22, 2009
Toronto, Ontario

Stephen Leacock Foundation for Children

Statement of Financial Position

As at December 31, 2008

	Note	2008	2007
Assets			
Current			
Cash		\$ 65,556	\$ 144,344
Investments		-	283,793
Short-term investments		530,000	440,690
Accounts receivable		15,546	15,492
GST receivable		19,460	10,778
Prepaid expenses		931	-
Advance receivable	3	15,000	-
		\$ 646,493	\$ 895,097

Liabilities

Current

Accounts payable and accrued liabilities		\$ 11,187	\$ 11,624
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Fund Balances

General Fund		309,776	576,513
Educational Endowment Fund - Restricted	4	325,530	306,960
		635,306	883,473
		\$ 646,493	\$ 895,097

Approved by the Board _____ Director _____ Director

See accompanying notes.

Stephen Leacock Foundation for Children

Statement of Operations and General Fund Balance

For the Year Ended December 31, 2008

	Note	2008	2007
Revenue			
Memberships and donations	5	\$ 614,760	\$ 425,533
Fundraising activities and special events		270,409	270,065
Interest and GST rebates		13,219	23,134
		898,388	718,732
Deduct: direct expenditures			
Fundraising activities, marketing and special events		111,199	118,112
Donations in kind		81,324	54,536
		192,523	172,648
Net revenue		705,865	546,084
Expenditures			
Donations		778,214	344,415
Office and general	6	79,081	79,297
Triangle program		115,307	1,466
		972,602	425,178
Excess (deficiency) of revenue over expenditures		(266,737)	120,906
General Fund at beginning of year		576,513	455,607
General Fund at end of year		\$ 309,776	\$ 576,513

See accompanying notes.

Stephen Leacock Foundation for Children

Statement of Cash Flows

For the Year Ended December 31, 2008

	2008	2007
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures	\$ (266,737)	\$ 120,906
Changes in non-cash working capital items		
Accounts receivable	(54)	24,986
GST receivable	(8,682)	(5,628)
Prepaid expenses	(931)	6,056
Accounts payable and accrued liabilities	(437)	5,123
	(276,841)	151,443
Cash flows from investing activities		
Decrease (increase) in Investments	283,793	(260,657)
Purchase of short-term investments	(89,310)	(394,045)
Advance receivable	(15,000)	-
	179,483	(654,702)
Cash flows from financing activity		
Educational Endowment Fund - restricted	18,570	283,824
Decrease in cash during the year	(78,788)	(219,435)
Cash at beginning of year	144,344	363,779
Cash at end of year	\$ 65,556	\$ 144,344

See accompanying notes.

Stephen Leacock Foundation for Children

Notes to Financial Statements

December 31, 2008

1. DESCRIPTION OF ORGANIZATION

The Foundation was established in Toronto in 1992, with the objective to use funds for charitable purposes dedicated to helping disadvantaged youth. It was incorporated under the Corporations Act (Ontario) and is registered as a charity and public foundation with Canada Revenue Agency. Fundraising activities are directed through the Leacock Community Services Organization (operating as "The Leacock Club"), under the registration of Stephen Leacock Foundation for Children.

Stephen Leacock Foundation for Children is registered as a registered charity under the Income Tax Act and is therefore not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments are comprised of portfolio investments and are stated at market.

Short-Term Investments

Short-term investments are comprised of Guaranteed Investment Certificates with terms to maturity from date of issue of between three and twelve months. Short-term investments consist of a \$430,000 RBC Royal Bank Guaranteed Investment Certificate maturing February 19, 2009, and a \$100,000 fixed income security maturing January 27, 2009 with interest rates from 2.00% to 3.5%. Short-term investments are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

Revenue Recognition

The Foundation follows the deferral method of accounting for contributions. Restricted and endowment contributions that relate to expenditures of a subsequent year are deferred and recognized as revenue in that year.

Revenue comprises of donations, membership fees and fund raising events. Donations are recorded earlier of when either cash is received or on date where there is persuasive evidence that collection is guaranteed. Fund raising revenues including memberships are recognized when invoiced, amounts are fixed and collection is reasonably assured.

Restricted and Endowment Funds

Endowment or restricted funds are segregated from general operations. Specific restricted expenditures are allocated to these funds to the extent that these are designated to the funding.

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Notes to Financial Statements

December 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'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 revenue and expenses during the year. Actual results could differ from those estimates.

Significant areas requiring the use of management estimates relate to valuation of accounts receivable and amounts recorded as accrued liabilities as well as the fair values of financial instruments.

Financial Instruments

In the current year, the Foundation's financial instruments are comprised of cash, accounts receivable, short-term investments, advance receivable, and accounts payable and accrued liabilities.

The recorded amounts of cash, accounts receivable, short-term investments, and accounts payable approximate fair values due to their short-term maturities. Advance receivable is recorded at amortized cost.

The Canadian Institute of Chartered Accountants ("CICA") provides a temporary choice for financial instruments disclosure and the Foundation has chosen to apply Financial Instruments - Disclosure and Presentation, Section 3861 in place of Financial Instruments - Disclosure, Section 3862 and Financial Instruments - Presentation, Section 3863. Section 3862 places an increased emphasis on risk disclosures. The requirements of Section 3863 are consistent with those of Section 3861 and therefore, will not impact the Foundation's financial statements.

Donations in Kind

Donations in kind are recorded at the best estimates of their market value where these are measurable.

3. ADVANCE RECEIVABLE

The advance receivable was given to an individual to assist in the production of a documentary film. The advance is non-interest bearing, not due on demand, and is only repayable once certain events occur in the development of the project. Should these events not occur the loan will be forgiven. At December 31, 2008, management considered the collectability of the advance and likelihood of collection was not determinable. The value of the loan has been recorded at cost as the fair value is not reliably determinable.

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Notes to Financial Statements

December 31, 2008

4. EDUCATIONAL ENDOWMENT FUND

The Foundation receives specific purpose endowment funds from donors and these funds are restricted to be expended on designated educational programs.

	2008	2007
Balance at the beginning of the year	\$ 306,960	\$ 23,136
Add: Contributions from donors during the year	10,000	283,824
Investment income	8,570	-
	\$ 325,530	\$ 306,960

5. MEMBERSHIPS AND DONATIONS

Included in memberships and donations are in kind donations received for the year totalling \$81,324 (2007 - \$54,536).

6. OFFICE AND GENERAL EXPENSES

	2008	2007
Office and general expenses	\$ 79,081	\$ 79,297
Deduct: reimbursement from director	-	-
	\$ 79,081	\$ 79,297

Under terms of an agreement between the Foundation and one of the directors, it was agreed that the director would reimburse the Foundation for any annual administration expenditure incurred that would exceed 10% of the Foundation's net revenues, including contributions collected in educational endowment fund (guaranteed amount). During the year, no amounts were reimbursed by the director (2007 - nil) as office and general expenditures did not exceed the guaranteed amount.

7. RELATED PARTY TRANSACTIONS

The Foundation received donations and contributions in the amount of \$63,288 (2007 - \$63,305) from the members of the Board of Directors. Included in accounts receivable are donations in the amount of \$12,253 (2007 - \$7,685) receivable from directors.

All transactions were recorded at the exchange amounts reflecting cash or in kind contributions received from the directors.

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8. FINANCIAL INSTRUMENTS

It is management's opinion that the Foundation is not exposed to significant interest, currency or credit risk arising from its financial instruments.

9. CAPITAL MANAGEMENT

In managing capital, the Foundation focuses on liquid resources available for operations. The Foundation's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2008, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

10. COMPARATIVE FIGURES

Certain of prior year's figures have been reclassified to conform with the current year's financial statement presentation.