

PPCLI FOUNDATION

Financial Statements

Period from inception on 27 August 2010 to 31 December 2011

PPCLI FOUNDATION
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Period from inception on 27 August 2010 to 31 December 2011

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INDEPENDENT AUDITOR'S REPORT

To the Members of PPCLI Foundation:

Report on the financial statements

We have audited the accompanying financial statements of PPCLI Foundation (the "Foundation"), which comprise the statement of financial position as at 31 December 2011, and the statements of revenue and expenses, changes in fund balances and cash flows for the period from inception on 27 August 2010 to 31 December 2011 then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for 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.

Auditor's 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 the 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, current assets and net assets.

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

INDEPENDENT AUDITOR'S REPORT

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of PPCLI Foundation as at 31 December 2011, and the results of its operations for the period from inception on 27 August 2010 to 31 December 2011 then ended in accordance with Canadian generally accepted accounting principles.

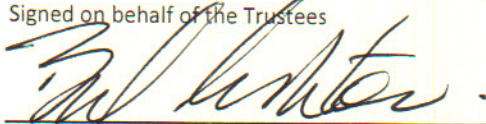
March 6, 2012
Calgary, Alberta, Canada

Thompson Penner & Lo LLP
Certified General Accountants

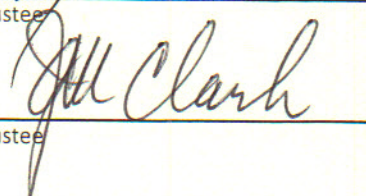
PPCLI Foundation
Statement of Financial Position
As at 31 December 2011 (Note 2.b)

	General Fund	HHC Fund	Total
ASSETS			
Current Assets			
Cash	\$25,472	\$16,647	\$42,119
Accounts Receivable	6,506	75,000	81,506
GST Recoverable	568	0	568
Prepaid Expenses	6,029	0	6,029
	<u>38,575</u>	<u>91,647</u>	<u>130,222</u>
Capital Assets			
Property & Equipment (Note 4)	500	0	500
Start Up Costs (Note 5)	3,844	0	3,844
Intellectual Property (Note 6)	405	0	405
Settlement Property (Note 7)	1	0	1
	<u>4,750</u>	<u>0</u>	<u>4,750</u>
	<u>\$43,325</u>	<u>\$91,647</u>	<u>\$134,972</u>
LIABILITIES & EQUITY			
Current Liabilities			
Accounts Payable	\$3,200	\$0	\$3,200
Deferred Contributions (Note 8)	1,000	89,781	90,781
	<u>4,200</u>	<u>89,781</u>	<u>93,981</u>
Members Equity			
Settlement Property (Note 7)	1	0	1
Fund Balance	39,124	1,866	40,990
	<u>39,125</u>	<u>1,866</u>	<u>40,991</u>
Contingent Liability (Note 11)			
	<u>\$43,325</u>	<u>\$91,647</u>	<u>\$134,972</u>

Signed on behalf of the Trustees



Trustee



Trustee

PPCLI Foundation
Statement of Revenue and Expenses
For the Period from Inception on 27 August 2010 to 31 December 2011 (Note 2.b)

	General Fund	HHC Fund	Total	Budget (unaudited)
REVENUE				
Donations	\$29,179	\$2,219	\$31,398	\$44,500
Memberships	3,000	0	3,000	10,000
Government sponsorship and funding	0	0	0	5,000
Corporate sponsorship & major gifts	50,000	0	50,000	25,000
Investment interest	0	0	0	500
Events	15,275	0	15,275	15,000
	<u>97,454</u>	<u>2,219</u>	<u>99,673</u>	<u>100,000</u>
EXPENSES				
Marketing and communications	4,354	1,676	6,030	5,000
Banking and administrative	948	543	1,491	300
Professional fees				
Contract employee	22,967	0	22,967	22,000
Legal fees	0	0	0	1,200
Audit fees	3,200	0	3,200	0
Supplies and equipment				
Computer and software	5,277	0	5,277	10,000
Office supplies	465	0	465	1,500
Travel	851	0	851	2,000
Amortization (Notes 4 and 5)	1,402	0	1,402	0
	<u>39,464</u>	<u>2,219</u>	<u>41,683</u>	<u>42,000</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE GIFTS TO ELIGIBLE DONEES	<u>57,990</u>	<u>0</u>	<u>57,990</u>	<u>58,000</u>
GIFTS TO ELIGIBLE DONEES				
PPCLI Regimental Fund	12,000	0	12,000	10,000
Military Family Resource Centre	5,000	0	5,000	5,000
Other	0	0	0	5,000
	<u>17,000</u>	<u>0</u>	<u>17,000</u>	<u>20,000</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$40,990</u>	<u>\$0</u>	<u>\$40,990</u>	<u>\$38,000</u>

PPCLI Foundation
Statement of Changes in Fund Balances
For the Period from Inception on 27 August 2010 to 31 December 2011

	<u>General Fund</u>	<u>HHC Fund</u>	<u>Total</u>
Excess of Revenue Over Expenses	\$40,990	\$0	\$40,990
Inter Fund Transfers (Note 9)	(1,866)	1,866	0
	<hr/>	<hr/>	<hr/>
Balance at December 31, 2011	<u>\$39,124</u>	<u>\$1,866</u>	<u>\$40,990</u>

PPCLI Foundation
Statement of Cash Flows
For the Period from Inception on 27 August 2010 to 31 December 2011

	<u>General Fund</u>	<u>HHC Fund</u>	<u>Total</u>
OPERATIONS			
Excess of revenue over expenses	\$40,990	\$0	\$40,990
Non-cash expense - Amortization	1,402	0	1,402
Non-cash working capital additions	(3,874)	(75,000)	(78,874)
Prepaid expenses	(6,029)	0	(6,029)
Deferred contributions	<u>1,000</u>	<u>89,781</u>	<u>90,781</u>
Cash from Operations	33,489	14,781	48,270
INVESTING			
Capital assets	(6,151)	0	(6,151)
INTERFUND TRANSFERS	<u>(1,866)</u>	<u>1,866</u>	<u>0</u>
INCREASE IN CASH	25,472	16,647	42,119
CASH, BEGINNING OF THE PERIOD	0	0	0
CASH, END OF THE YEAR	<u><u>\$25,472</u></u>	<u><u>\$16,647</u></u>	<u><u>\$42,119</u></u>

PPCLI FOUNDATION

NOTES TO THE AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCEPTION ON 27 AUGUST 2010 TO 31 DECEMBER 2011

1. PURPOSE OF THE ORGANIZATION

PPCLI Foundation (the "Foundation") is an independent and autonomous entity created by an irrevocable Deed of Trust on 27 August 2010. The Deed was made between Princess Patricia's Canadian Light Infantry and the Original Trustees of the Foundation. The Foundation operates as a registered charitable non-profit organization for the following charitable purposes as set out in its Deed:

1. To fund and carry out activities and programs to support and care for Canadian military service personnel and former military service personnel in need;
2. To promote the efficiency of the armed forces of the Crown;
3. To fund and carry out activities and programs to establish and preserve monuments relating to military service by Canadian soldiers and service personnel; and
4. To make gifts to qualified donees.

Effective 7 February, 2011 the Foundation was granted registered charitable status by Canada Revenue Agency. Therefore, under section 149.1(l) of the Income Tax Act, the Foundation is exempt from the payment of income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Accounting Standards for Not-for-profit organizations. As a new organization, the Foundation has decided to adopt these standards early rather than adopt Canadian GAAP and then change for the subsequent financial year. In the opinion of the management of the Foundation the statements are prepared within reasonable limits of materiality and within the framework of the significant accounting policies as summarized below:

a. Revenue Recognition

The Foundation follows the deferred method of accounting for contributions.

Externally restricted contributions are recognized as revenue of the appropriate fund in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the appropriate fund in the year in which the funds were received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

b. Financial Year

The Trustees have decided that the financial year for this first year of operations will extend from the inception of the Foundation until 31 December 2011. For this the first year of operation the financial year extends from the signing of the Deed of Trust on 27 August 2010 to 31 December 2011. Prior to receipt of charitable registration effective 7 February, expenses of \$3,700 were incurred. These expenses are recorded here.

c. Fund Accounting

The General Fund contains the assets, liabilities, revenues and expenses related to the Foundation's operating activities.

The Heroes Hockey Challenge Fund contains the assets, liabilities, revenues and expenses related to Heroes Hockey Challenge events and activities and are restricted by the Heroes Hockey Challenge Events Management Agreement between the Foundation and its partners.

The establishment and maintenance of funds requires the approval of the Board of Trustees.

d. Property and Equipment

Property and equipment are recorded at cost. Amortization is recorded using the following methods and rate intended to amortize the cost of assets over their useful lives. The cost and methods are as follows:

Computer equipment	3years	straight line
*Start-up Costs	3 years	straight line

* These are costs incurred in setting up the Foundation: Legal fees.

e. Financial Instruments

The Foundation classifies all financial instruments as trading and carries them at fair value. Unrealized gains and losses on trading assets are recognized as a change to equity and reflected on the Statement of Financial Position as such. The fair value of financial instruments reported at fair value is based on current interest rates, market values, and the pricing of financial instruments with comparable terms.

f. Inventory

During the year in question, the Foundation held no inventory of goods for resale. In years in which such items may be held, those items are valued at the lower of cost or net realizable value.

g. Contributed Services

Volunteers contribute numerous hours to assist the Foundation in carrying on its activities. Due to the difficulty of determining the fair value of these services contributed services, they are not recognized in the financial statements.

h. Goods and Services Tax

Goods and services tax ("GST") paid on goods and services received by the Foundation is recoverable at 50% as a GST rebate. Goods and services tax is collected on sales at 5% for 2011. Of the GST collected, using the simplified method, 60% is payable to the Receiver General and 40% is retained by the Foundation. The Foundation may choose to use another method if it is to its financial advantage to do so.

i. Basis of Comparison

As this is the first year of operation, there are no previous comparative financial results. The Trustees decided to insert the budgeted amounts as a basis for comparison by the reader of these statements. The budgeted amounts have not been audited.

3. SHORT TERM INVESTMENTS

The Foundation has not made any short term investments during the year, but intends to make both short and long-term investments in the future.

4. PROPERTY AND EQUIPMENT

The Foundation acquired property and equipment during the year, which will be amortized in accordance with the amortization policies as stated in Note 2:

Computers	\$ 620
Less accumulated depreciation	<u>121</u>
	<u>\$ 499</u>

5. START-UP COSTS

The Foundation incurred legal costs for the preparation of the Deed of Trust and charitable registration. These costs were \$5,000 plus GST, which will be depreciated over three years as stated in Note 2:

Legal Fees	\$ 5,125
Less accumulated depreciation	<u>1,281</u>
	<u>\$ 3,844</u>

6. INTELLECTUAL PROPERTY

During 2011, the Foundation formed a partnership with the Canadian Football League Alumni Association and entered into a co-ownership agreement with that Association to register a trademark on the Canadian House of Heroes name and logo. To that end, the Foundation has paid one-half of the registration costs to date of \$810, which is recognized as the Foundation's share of the registration fee for the initial cost of this intellectual property. The final cost is expected to be \$1,700, of which the Foundation will pay one-half.

7. SETTLEMENT PROPERTY

At the time of the execution of the Deed of Trust, the Settlor (Lieutenant-General R.R. Crabbe, Colonel of the Regiment) gave and transferred unto the Trustees one silver coin (the "Settlement Property"). This silver coin, duly mounted and framed, is held at the office of the Foundation. The Trustees acknowledged the receipt from the Settlor of such Settlement Property, which is to be held upon and subject to the trusts hereof. The Trustees, subject to the provisions of the Deed of Trust, to accept such further, substituted or additional property which the Settlor or any other person or persons may donate or settle on the Trust.

8. DEFERRED CONTRIBUTIONS FOR FUTURE OPERATIONS

Contributions were received in 2011 for expenditure in 2012 or subsequent years in respect of Heroes Hockey Challenge and the 2014 PPCLI Anniversary Commemoration. These amounts are:

	General <u>Fund</u>	HHC <u>Fund</u>	<u>Total</u>
Opening balance	\$ 0	\$ 0	\$ 0
Heroes Hockey Challenge	0	92,000	92,000
2014 PPCLI 100 th Anniversary Commemoration	<u>1,000</u>	<u>0</u>	<u>1,000</u>
TOTAL	1,000	92,000	93,000
Less transferred to revenue	<u>0</u>	<u>2,219</u>	<u>2,219</u>
Balance at 31 December 2011	<u>\$1,000</u>	<u>\$89,781</u>	<u>\$90,781</u>

9. INTERFUND TRANSFERS

The Trustees have approved interfund transfers during the year totalling \$1,866 in respect of payments made by the General Fund for expenses incurred by HHC Fund.

10. FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash, accounts receivable, short-term investments, accounts payable and accrued liabilities, all of which are reported as fair value. Due to their short-term nature, the carrying value of these financial instruments approximates their fair value.

11. CONTINGENT LIABILITIES

On behalf of the Heroes Hockey Challenge partners, the Foundation entered into a Provision of Services agreement with the Canadian Army, which is to provide troops and other support to the Heroes Hockey Challenge events. If all of the events take place in all of the cities, in accordance with the agreement, of the total estimated cost of \$216,000 the Foundation's total liability would be \$116,000. However, subsequently, the scope of the events has been reduced (games in Vancouver and Montreal were cancelled, and Army support to other events reduced and delayed to the Fall of 2012 at the earliest). It is now estimated that the total liability for the Foundation under the agreement will not exceed \$60,000 (\$160,000 less \$100,000 in services provided by and paid for by the Army).
