

Financial Statements of

PPCLI FOUNDATION

Year ended December 31, 2013

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, which comprise the statement of financial position as at December 31, 2013, and the statement of revenue and expenditures and changes in fund balances and its cash flows for the year then ended December 31, 2013, 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 accounting standards for not-for-profit organizations, 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.

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INDEPENDENT AUDITOR'S REPORT

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion, the financial statements present fairly, in all material respects, the financial position of PPCLI Foundation as at December 31, 2013 and the results of its revenue and expenditures and changes in fund balances and its cash flows for the year then ended December 31, 2013 in accordance with Canadian accounting standards for not-for-profit organizations.

February 27, 2014
Calgary, Alberta, Canada

Calvista LLP
Professional Accountants

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PPCLI FOUNDATION

Statement of Financial Position

As at December 31, 2013 (with comparative data for December 31, 2012)

	General Fund	HHC Fund	Total	2012
Assets				
Current assets:				
Cash	\$ 154,058	\$	\$ 154,058	\$ 59,805
Accounts receivable	2,322		2,322	59,000
GST recoverable	1,781		1,781	2,590
Prepaid expenses	23,128		23,289	12,233
	181,289		181,289	133,628
Capital assets:				
Property and equipment (note 3)	79		79	290
Intangible assets (note 4)	3,589		3,589	2,872
	3,668		3,668	3,162
	\$ 184,957	\$	\$ 184,957	\$ 136,790

Liabilities and Members Equity

Current liabilities				
Accounts payable	\$ 6,980	\$	\$ 6,980	\$ 6,061
Deferred contributions (note 5)	48,261		48,261	79,112
	55,241		55,241	85,173
Members equity:				
Settlement property (note 4)	1		1	1
Fund balance	129,715		129,715	51,616
	129,716		129,716	51,617
	\$ 184,957	\$	\$ 184,957	\$ 136,790

See accompanying notes to financial statements.

Signed on behalf of the Trustees:


Trustee


Trustee

PPCLI FOUNDATION

Statement of Revenue and Expenditures

For the year ended December 31, 2013 (with comparative data for the year ended December 31, 2012)

	General Fund	HHC Fund	Total	2012
Revenue (note 2(a)):				
Donations	\$ 31,629	\$	\$ 31,629	\$ 18,072
Memberships	6,156		6,156	3,358
Corporation sponsorship and major gifts	125,520	10,500	136,020	10,000
Investment interest	812		812	61
Events	162,209		162,209	218,596
	<u>326,326</u>	<u>10,500</u>	<u>336,826</u>	<u>250,087</u>
Expenditures:				
Marketing and communications	12,505	10,250	22,755	3,021
Bank and administrative	1,283	115	1,398	814
Professional fees:				
Consultant	37,125		37,125	19,529
Bookkeeper	7,088		7,088	2,722
Auditor	7,350		7,350	4,288
Supplies and equipment:				
Computer and software	4,778		4,778	4,519
Office supplies	1,374		1,374	622
Insurance and telephone	2,757		2,757	1,300
Events	91,567		91,567	119,867
Travel	4,611		4,611	—
Amortization (note 3)	1,919		1,919	1,961
	<u>172,357</u>	<u>10,365</u>	<u>182,722</u>	<u>158,643</u>
Excess of revenue over expenditures before gifts to donees:	153,969	135	154,104	91,444
Gifts to eligible donees:				
PPCLI Regimental Fund	37,000	4,378	41,378	40,000
Hospital Comfort Fund	3,000		3,000	—
Calgary Military Family Resource Centre				4,318
Edmonton Military Family Resource Centre				6,000
Shilo Military Family Resource Centre				3,000
Hamilton Gault Memorial Fund	15,000		15,000	5,000
Amputee Coalition of Canada	10,000	2,127	12,127	20,000
British Columbia Regiment Trust				2,500
Canada Company (Operation Husky)	4,500		4,500	—
	<u>69,500</u>	<u>6,505</u>	<u>76,005</u>	<u>80,818</u>
Excess (deficiency) of revenue over expenditures	\$ 84,469	\$ (6,370)	\$ 78,099	\$ 10,626

See accompanying notes to financial statements.

PPCLI FOUNDATION

Statement of Changes in Fund Balances

For the year ended December 31, 2013 (with comparative data for the year ended December 31, 2012)

	General Fund	HHC Fund	Total	2012
Balance at January 1, 2013	\$ 43,033	\$ 8,583	\$ 51,616	\$ 40,990
Excess (deficiency) of revenue over expenditures	84,469	(6,370)	78,099	10,626
Interfund transfer (note 6)	2,213	(2,213)	-	-
Balance December 31, 2013	\$ 129,715	\$ -	\$ 129,715	\$ 51,616

See accompanying notes to financial statements.

PPCLI FOUNDATION

Statement of Cash Flows

For the year ended December 31, 2013 (with comparative data for the year ended December 31, 2012)

	General Fund	HHC Fund	Total	2012
Operations:				
Excess (deficiency) of revenue over expenditures	\$ 84,469	\$ (6,370)	\$ 78,099	\$ 10,626
Non-cash expenditures	1,919	-	1,919	1,918
Change in non-cash working capital	14,090	2,569	16,659	5,472
	100,478	(3,801)	96,677	18,016
Investing:				
Capital assets	(2,424)	-	(2,424)	(33)
Interfund transfer	2,213	(2,213)	-	-
Increase (decrease) in cash	100,267	(6,014)	94,253	17,686
Cash, beginning of year	53,791	6,014	59,805	42,119
Cash, end of year	\$ 154,058	\$ -	\$ 154,058	\$ 59,805

See accompanying notes to financial statements.

PPCLI FOUNDATION

Notes to the Financial Statements

For the year ended December 31, 2013

1. Purpose of organization

PPCLI Foundation (the "Foundation") is an independent and autonomous entity created by an irrevocable Deed of Trust on August 27, 2010. The Deed was made between Princess Patricia's Canadian Light infantry and the Original Trustees of the Foundation. Under the Deed, the Foundation operates with the following charitable purposes:

- (a) To fund and carry out activities and programs to support and care for Canadian military service personnel and former military service personnel in need;
- (b) To promote the efficiency of the armed forces of the Crown;
- (c) To fund and carry out activities and programs to establish and preserve monuments relating to military service by Canadian soldiers and service personnel; and
- (d) To make gifts to qualified donees.

Effective February 7, 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.

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 expected to be incurred.

Unrestricted contributions are recognized as revenue 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

As set out in Article II of the By-laws of the Foundation its financial year is the calendar year.

PPCLI FOUNDATION

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For the year ended December 31, 2013

(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 contained the assets, liabilities, revenues and expenses related to heroes Hockey Challenge 2012 events and activities and were restricted by the Heroes Hockey Challenge Events Management Agreement between the Foundation and its partners.

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

During the year ended December 31, 2013, the Board ceased using the HHC Fund and recognized all amounts related to Heroes Hockey Challenge in the General Fund.

(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	3 years	straight-line
Start-up costs*	3 years	straight-line

*These are costs incurred in settling 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 charge 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 financial year, the Foundation held no inventory of goods for resale. In years in which such items may be held, those items will be 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.

PPCLI FOUNDATION

Notes to the Financial Statements, page 3

For the year ended December 31, 2013

3. Property and equipment

	2013	2012
Computers	\$ 630	\$ 620
Less accumulated amortization	551	330
	\$ 79	\$ 290

4. Intangible assets

	2013	2012
Legal fees	\$ 5,125	\$ 5,125
Less accumulated amortization	(4,697)	(2,989)
	428	2,136
Trademark	3,160	735
Settlement property	1	1
	\$ 3,589	\$ 2,872

The Foundation incurred legal costs for the preparation of the Deed of Trust and charitable registration, which are being amortized over three years.

In 2011, the Foundation started the process to register a trademark on the Canadian House of Heroes name and logo and to conduct fundraising events. The final registration of the trademark occurred in 2013.

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 Trustee one silver coin (the "Settlement Property"). The 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 agreed subject to the trusts hereof. The Trustees, subject to the provisions of the Deed of Trust, agree to accept such further, substituted or additional property, which the Settlor or any other person or persons may donate or settle on the Trust.

PPCLI FOUNDATION

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For the year ended December 31, 2013

5. Deferred contributions for future operations

	2013	2012
Centennial Art Show, <i>Forging a Nation: Canada Goes to War</i>	\$ 34,291	\$ 40,000
PPCLI 100 th Anniversary Commemoration – 2014	5,000	1,000
Heroes Hockey Challenge Edmonton - 2014	3,500	-
Frezenberg Commemoration Youth Program	5,470	-
Heroes Hockey Challenge Abbotsford - 2013	-	38,112
Balance at December 31, 2013 and 2012	\$ 48,261	\$ 79,112

Contributions were received in 2013 for expenditure in 2014 or subsequent years in respect of the programs noted above.

6. Interfund transfers

The Trustees approved an interfund transfer of \$2,213 (2012: \$20,000) from the HHC Fund to the General Fund.

7. Financial instruments

The Foundation's financial instruments consist of cash, accounts receivable, 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.

8. Additional information to comply with the disclosure requirement of the Charitable Fund-raising Act and Regulation

- Gross contributions received - \$336,014
- Gross contributions and interest received were used as follows:
 - Operating and event expenses - \$180,803
 - Gift to the PPCLI Regimental Fund exceeded 10% of the gross contributions - \$41,378
 - Other gifts to eligible donees - \$34,627
 - Excess of revenue over expenditures - \$78,099
- Fund raising is a responsibility of a volunteer committee of the Foundation. The Foundation does not engage third parties for the purpose of soliciting contributions. Expenditures of \$136,496, including \$91,567 of the event expenditures, were incurred to obtain contributions.
- \$0 was paid as remuneration to employees whose principal duties involved fundraising.

PPCLI FOUNDATION

Notes to the Financial Statements, page 5

For the year ended December 31, 2013

9. Subsequent events

Forging a Nation: Canada Goes to War opened at The Military Museums in Calgary in January 2014. The show will open in Edmonton later this year. In addition to the support of the Alberta Foundation for the Arts, this exhibition of war art is being supported by the University of Calgary, The Royal Canadian Legion, the Calgary Poppy Fund, the Royal Alberta United Services Institute Foundation and The Calgary Foundation.