

FINANCIAL STATEMENTS
For
CANADIAN FALLEN FIREFIGHTERS FOUNDATION
For year ended
DECEMBER 31, 2010

INDEPENDENT AUDITOR'S REPORT

To the members of

CANADIAN FALLEN FIREFIGHTERS FOUNDATION

We have audited the accompanying financial statements of Canadian Fallen Firefighters Foundation which comprise of the statement of financial position as at December 31, 2010 and the statement of operations, changes in net assets 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.

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.

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

Basis for Qualified Opinion

The Foundation derives revenues from fundraising and donations, 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 were not able to determine whether any adjustments might be necessary to fundraising revenues, donations received, net revenues (expenditures) and net assets.

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 Canadian Fallen Firefighters Foundation as at December 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.



Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
July 9, 2011

CANADIAN FALLEN FIREFIGHTERS FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 390,523	\$ 220,141
Guaranteed investment certificates - note 4	581,955	853,742
Accounts receivable	150,453	38,054
Inventory - note 5	2,273	7,396
Prepaid expenses	<u>3,233</u>	<u>6,319</u>
	<u>\$ 1,128,437</u>	<u>\$ 1,125,652</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 92,741	\$ 29,799
DEFERRED CONTRIBUTIONS - note 6	<u>20,838</u>	<u>20,000</u>
	<u>113,579</u>	<u>49,799</u>
NET ASSETS		
Unrestricted net assets	<u>1,014,858</u>	<u>1,075,853</u>
	<u>\$ 1,128,437</u>	<u>\$ 1,125,652</u>

Approved by the Board:

ROBERT KIRKPATRICK
 Director

JOHN CLARE
 Director

(See accompanying notes)

CANADIAN FALLEN FIREFIGHTERS FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
Revenues		
CBU fundraising from advertising	\$ 169,781	\$ 222,410
Donations received		
Received	32,832	71,077
Other	107,906	60,418
Grants received		
Department of Canadian Heritage	177,625	-
Scholarships	9,000	-
United Way	15,504	16,481
Sales of souvenirs	13,070	13,237
CBU contributions for editing	20,000	7,500
Interest earned	<u>16,299</u>	<u>23,660</u>
	<u>562,017</u>	<u>414,783</u>
Expenses		
Memorial development	398,920	34,594
Annual ceremony	33,927	40,056
LODD families expense	20,164	24,933
Executive and director expenses	48,296	38,847
Fundraising	21,886	-
Advertising and promotion	50,329	85,035
Medallions and other promotional material	998	3,054
Scholarships	9,063	-
Rent	10,081	9,743
Insurance	5,031	6,168
Office and general	12,642	10,941
Professional fees	10,508	13,186
Interest and bank charges	<u>1,167</u>	<u>78</u>
	<u>623,012</u>	<u>266,635</u>
Net revenues (expenditures)	(60,995)	148,148
Net assets, beginning of year	<u>1,075,853</u>	<u>927,705</u>
Net assets, end of year	<u>\$ 1,014,858</u>	<u>\$ 1,075,853</u>

(See accompanying notes)

CANADIAN FALLEN FIREFIGHTERS FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenues (expenditures)	\$ (60,995)	\$ 148,148
Adjustments for:		
Accounts receivable	(112,399)	(15,150)
Inventories	5,123	8,120
Prepaid expenses	3,086	(1,857)
Accounts payable and accrued liabilities	62,942	14,791
Deferred contributions	838	10,000
	<u>(101,405)</u>	<u>164,052</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale (purchase) of investments	<u>271,787</u>	<u>(26,997)</u>
INCREASE IN CASH	170,382	137,055
CASH, BEGINNING OF YEAR	<u>220,141</u>	<u>83,086</u>
CASH, END OF YEAR	<u>\$ 390,523</u>	<u>\$ 220,141</u>

(See accompanying notes)

CANADIAN FALLEN FIREFIGHTERS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

1. NATURE OF OPERATIONS

The Foundation is a charity registered with Canada Revenue Agency and incorporated under the provisions of *The Canada Corporations Act*. The Foundation's principal purpose is to receive and maintain a fund for the establishment and maintenance of the Canadian Fallen Firefighters' Memorial; to plan, direct and manage an annual Fallen Firefighters Memorial Service; to provide financial assistance to families of fallen firefighters for transportation and lodging during the annual memorial service, to provide additional financial assistance to the families of fallen firefighters when warranted, and to otherwise recognize firefighters who die in the line of duty.

The Foundation maintains its head office in Ottawa, Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue from advertising contracts is recognized over the term of the contract. Revenue from donations is recognized upon receipt and revenue from investments is recognized as earned. The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collectibility is reasonably assured.

Revenue from souvenir sales are recognized once the goods are sold.

Investments

The Foundation classifies its investments as held to maturity and records them at amortized cost using the effective interest method. The purchase and sale of investments are accounted for using settlement date accounting. Transaction costs associated with the acquisition of investments and investment management fees are expensed as incurred.

Inventories

Inventories are valued at lower of cost and net realizable value with cost determined substantially on a first-in, first-out basis.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash, guaranteed investment certificates, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these instruments.

Fair market value

The fair values of guaranteed investment certificates are determined by reference to published price quotations in an active market at year-end.

CANADIAN FALLEN FIREFIGHTERS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2010

4. GUARANTEED INVESTMENT CERTIFICATES

Guaranteed investment certificates are stated at cost. The cost and accrued interest income approximate fair value. Accrued interest income of \$24,142 (2009 - \$13,056) is included in accounts receivable.

Guaranteed investments consist of the following:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
TD Canada Trust - 0.90%, due March 15, 2011	\$ 100,000	\$ 100,192	\$ -	\$ -
TD Canada Trust - 0.85%, due March 15, 2011	140,380	140,478	-	-
Toronto Dominion Bank - 1.75%, due October 2011	133,575	136,372	133,575	134,035
TD Mortgage Corporation - 4.25%, due August 18, 2011	208,000	229,495	208,000	220,274
Toronto Dominion Bank - 0.50%, due March 10, 2010	-	-	139,776	139,874
Toronto Dominion Bank - 0.58%, due April 13, 2010	-	-	230,154	230,216
The Canada Trust Company - 0.62%, due January 15, 2010	-	-	142,237	142,491
	<u>\$ 581,955</u>	<u>\$ 606,537</u>	<u>\$ 853,742</u>	<u>\$ 866,890</u>

Investments are managed by the Board in consultation with the Foundation's financial advisors. The Foundation limits its investments to guaranteed investment certificates to ensure the capital is preserved.

Interest rate risk

The Foundation manages the interest rate risk exposure of its investments by using a laddered portfolio with varying terms to maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

5. INVENTORY

The total amount of inventory recognized as an expense for the current year is \$32,148 (2009 - \$56,374).

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent funds that have been received for scholarship

	<u>2010</u>	<u>2009</u>
Deferred contributions, beginning of year	\$ 20,000	\$ 10,000
Contributions received in year	9,838	10,000
Recognized as revenue	<u>(9,000)</u>	<u>-</u>
Deferred contributions, end of year	<u>\$ 20,838</u>	<u>\$ 20,000</u>

CANADIAN FALLEN FIREFIGHTERS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2010

7. VOLUNTEER HOURS

The work of the Foundation is dependent upon the voluntary services of its directors, management and members. These services are not normally purchased by the Foundation and because of the difficulty of determining their fair value, the value of these donated service are not recognized in the financial statements.

8. ECONOMIC DEPENDENCE

During the year, revenue of the Foundation derived from CBU Publications represented 30% (2009 - 54%) of the total.

9. COMMITMENTS

The Foundation has entered into a contract to rent a storage locker for \$1,387 per year. The contract ends March 31, 2012. The Foundation also rents his office space on a month to month basis for \$900 per month.

10. PLEDGE COMMITMENT

The Canadian Association of Fire Chiefs (CAFC) has committed to pledging Canadian Fallen Firefighters Foundation (CFFF) \$5,000 per month for the erection of a monument to honour the memory of Canada's fallen firefighters, beginning in January 2007. The funds will be recorded once they are received by CFFF, no amount has been recorded in this year's financial statements.

11. CAPITAL DISCLOSURES

The Foundation defines capital as its unrestricted net assets and its externally restricted contributions which are classified as deferred contributions in the statement of financial position. The Foundation's objectives with respect to managing capital are to comply with externally imposed restrictions and hold sufficient unrestricted net assets to fund ongoing operations. The Foundation monitors its capital requirements and objectives through its budgeting process, its financial statement review process and reviews of the terms and conditions contained in its contribution agreements. The external restrictions imposed on these contributions are disclosed in note 6. Management believes that the Foundation has adhered to all externally imposed restrictions.

12. MONUMENT

The Canadian Fallen Firefighters Foundation is constructing a monument in recognition of the dedication, service and sacrifice by Canadian Firefighters across Canada. This monument is being built in Ottawa, Ontario and will be named the "Canadian Firefighters Memorial". The project is being partly funded by Canadian Heritage and is expected to be completed in the summer of 2012. The National Capital Commission ("NCC") provided the land and site preparation. The Canadian Fallen Fighters Foundation have committed to providing the NCC with one-time funding of an undetermined amount for future up-keep of the monument.

13. RECENT ACCOUNTING PRONOUNCEMENTS

The Accounting and Standards Board of the Canadian Institute of Chartered Accountants recently approved a financial reporting framework designed specifically to meet the needs of users of financial statements prepared by Not-for-profit organizations. These new standards must be applied for Canadian Fallen Firefighters Foundation's December 31, 2012 fiscal year-end and the organization is permitted to adopt these standards next year if they wish to do so. Not-for-profit organizations are given the option to adopt International Financial Reporting Standards (IFRS) instead of the new Not-for-profit accounting standards if that is the organization's preferred course of action.