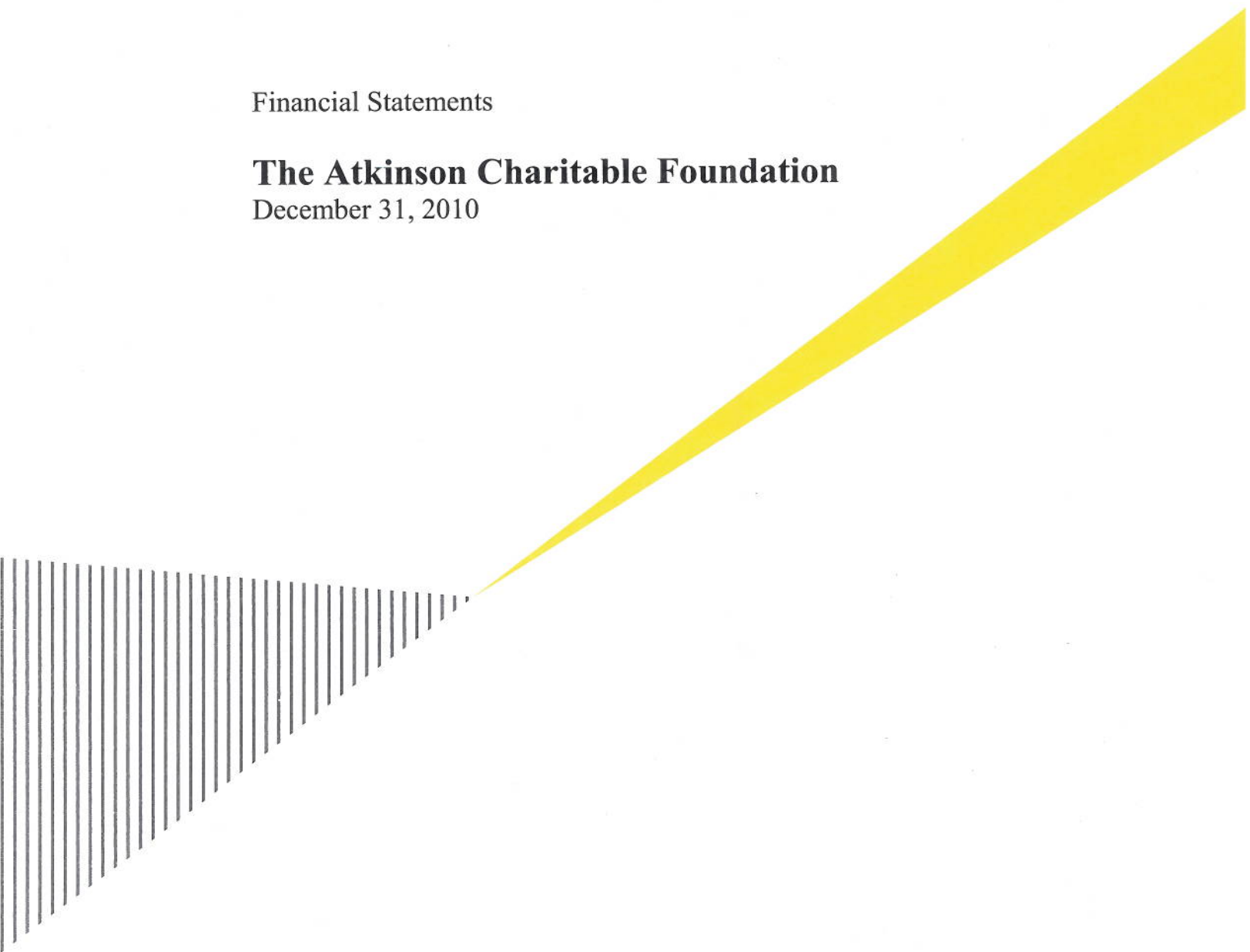


Financial Statements

The Atkinson Charitable Foundation

December 31, 2010



INDEPENDENT AUDITORS' REPORT

To the Members of
The Atkinson Charitable Foundation

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **The Atkinson Charitable Foundation**, which comprise the balance sheet as at December 31, 2010 and the statements of operations and changes in net assets 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 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 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 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.

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 Atkinson Charitable 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
June 22, 2011.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

The Atkinson Charitable Foundation


BALANCE SHEET

As at December 31

	2010 \$	2009 \$
ASSETS		
Current		
Cash	527,216	330,438
Accounts receivable	76,550	45,448
Interest and dividends receivable	56,625	44,498
	660,391	420,384
Investments <i>[note 4]</i>	61,965,956	59,695,357
Capital assets, net <i>[note 5]</i>	179,320	22,878
	62,145,276	59,718,235
	62,805,667	60,138,619
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	186,654	223,663
Payable to Torstar Corporation <i>[note 7[a]]</i>	331,025	548,141
	517,679	771,804
Payable to Torstar Corporation <i>[note 7[b]]</i>	—	334,162
	517,679	1,105,966
NET ASSETS		
Unrestricted	5,308,182	5,715,866
Internally restricted <i>[note 3[c]]</i>	11,264	16,451
Endowment <i>[note 6]</i>	56,968,542	53,300,336
	62,287,988	59,032,653
	62,805,667	60,138,619

See accompanying notes

On behalf of the Trustees:


Trustee


Trustee

The Atkinson Charitable Foundation

STATEMENT OF OPERATIONS

Year ended December 31

	2010	2009
	\$	\$
Revenues		
Interest, dividends and pooled fund distributions	1,739,515	1,808,603
Realized and unrealized capital gains, net	457,510	720,729
Government grants	3,376	179,820
Donations and other grants	230,757	257,641
Atkinson Fellowship in Public Policy <i>[note 3[c]]</i>	100,000	100,000
	2,531,158	3,066,793
Expenses		
General and administrative <i>[note 11]</i>	349,053	467,577
Depreciation	28,234	10,081
Investment management	204,067	212,897
Grants program		
Program development <i>[note 11]</i>	1,055,700	1,579,060
Grants	1,151,788	1,142,154
Atkinson Fellowship in Public Policy <i>[note 3[c]]</i>	155,187	152,080
	2,944,029	3,563,849
Deficiency of revenues over expenses for the year	(412,871)	(497,056)

See accompanying notes

The Atkinson Charitable Foundation

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	Unrestricted \$	Internally restricted \$	Endowment \$	Total \$
Balance, December 31, 2008	5,106,357	18,531	47,872,862	52,997,750
Excess of revenues over expenses for the year	(497,056)	—	—	(497,056)
Transfer from internally restricted net assets [note 3[b]]	2,080	(2,080)	—	—
Realized losses on externally endowed net assets	—	—	(2,510,283)	(2,510,283)
Change in unrealized gains on externally endowed net assets	—	—	9,242,793	9,242,793
Investment management fees related to endowment net assets	—	—	(200,551)	(200,551)
Transfer [note 6]	1,104,485	—	(1,104,485)	—
Balance, December 31, 2009	5,715,866	16,451	53,300,336	59,032,653
Deficiency of revenues over expenses for the year	(412,871)	—	—	(412,871)
Transfer from internally restricted net assets [note 3[b]]	5,187	(5,187)	—	—
Realized gains on externally endowed net assets	—	—	1,025,329	1,025,329
Change in unrealized gains on externally endowed net assets	—	—	2,846,944	2,846,944
Investment management fees related to endowment net assets	—	—	(204,067)	(204,067)
Balance, December 31, 2010	5,308,182	11,264	56,968,542	62,287,988

See accompanying notes

The Atkinson Charitable Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. PURPOSE OF FOUNDATION

The Atkinson Charitable Foundation [the "Foundation"] was incorporated as a corporation without share capital under the laws of the Province of Ontario in 1942. The mission of the Foundation is to promote social and economic justice in the tradition of its founder, Joseph E. Atkinson.

The Foundation is registered as a private foundation under the Income Tax Act (Canada) and, while registered, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles. The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements:

Investments and investment income

Publicly traded securities are valued based on the bid price and pooled funds are valued based on reported unit values. Short-term securities 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.

Interest, dividends and income distributions from pooled funds are recorded as investment income in the statement of operations. Realized and unrealized gains and losses are recorded as direct increases (decreases) of endowment net assets, except to the extent they relate to unrestricted funds or to internally endowed funds, in which case they are recorded in the statement of operations and an amount is generally transferred between unrestricted net assets and internally endowed net assets with respect to the gains and losses recorded in the statement of operations.

Capital assets

Purchased capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Computers	3 - 5 years
Leasehold improvements	Term of lease
Furniture	10 years

The Atkinson Charitable Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

Revenue recognition

The Foundation follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the year in which they are received. Sponsorships are recognized when the event takes place.

Grants

Grants are recorded as expenses when payable.

Allocation of expenses

The direct expenses related to the Foundation's activities, such as the cost of personnel and supplies, are allocated to each function in the statement of operations. The Foundation also incurs general support expenses that are common to the administration of the Foundation and each of its functions. Certain of these expenses are allocated to the program development function based on management's best estimate of the amount of the expense related to this function.

Since investment income is allocated between endowment net assets and operations, a portion of investment management expenses are deducted directly from endowment net assets with the balance recorded as an expense in the statement of operations.

Contributed goods and services

Because of the difficulty in determining fair value, contributed goods and services are not recognized in the financial statements.

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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

The Atkinson Charitable Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

Changes in accounting policies

In November 2010, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ["CICA"] issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. The Foundation is currently evaluating the impact of these standards.

3. THE ATKINSON FELLOWSHIP IN PUBLIC POLICY

- [a] In 1988, the Atkinson Fellowship in Public Policy [the "Fellowship"] was established. It is designed to further the tradition of liberal journalism in Canada begun by the late Joseph E. Atkinson, founder of The Toronto Star.
- [b] Two sponsors have each committed to providing \$50,000 to support the Fellowship until 2012. The Foundation is also committed to make available a minimum of \$50,000 each year for the purpose of the Fellowship. In any year, the deficiency of revenues over expenses represents the Foundation's contribution to this program. To the extent that this minimum contribution is not made, the shortfall is recorded as internally restricted net assets. Each year, the Foundation transfers to/from internally restricted net assets an amount equal to the deficiency of revenues over expenses minus \$50,000.

The Atkinson Charitable Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

[c] Revenues and expenses for the Fellowship recorded in the statement of operations consist of the following:

	2010 \$	2009 \$
REVENUES		
External sponsors	100,000	100,000
	100,000	100,000
EXPENSES		
Stipends	87,000	67,500
Reimbursed expenses	31,122	33,263
	118,122	100,763
Printing and publishing	9,120	36,818
General	27,945	14,499
	155,187	152,080
Deficiency of revenues over expenses for the year	(55,187)	(52,080)
Represented by		
Unspent balance related to prior year commitments	16,451	18,531
Current year commitment	38,736	33,549
	55,187	52,080
Unspent current year commitment recorded as internally restricted net assets	11,264	16,451

The Atkinson Charitable Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

4. INVESTMENTS

Investments consist of the following:

	2010 \$	2009 \$
Canadian short-term investments	233,024	752,396
Canadian bond pooled funds	14,934,635	15,285,163
Canadian equities	21,485,032	20,032,981
Foreign equity pooled funds	25,313,265	23,624,817
	61,965,956	59,695,357

Short-term investments consist of a treasury bill maturing January 20, 2011 with an effective interest rate of 0.9% [2009 - maturing May 27, 2010 with an effective interest rate of 0.3%].

The Atkinson Charitable Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

5. CAPITAL ASSETS

Capital assets consist of the following:

	2010		Net book value \$
	Cost \$	Accumulated amortization \$	
Computers	18,643	9,632	9,011
Leasehold improvements	168,675	19,678	148,997
Furniture	31,850	10,538	21,312
	219,168	39,848	179,320
	2009		
	Cost \$	Accumulated amortization \$	Net book value \$
Computers	13,396	4,520	8,876
Leasehold improvements	10,000	9,167	833
Furniture	21,097	7,928	13,169
	44,493	21,615	22,878

During the year, capital asset purchases were \$185,676 [2009 - \$9,966] and depreciation expense was \$28,234 [2009 - \$10,081].

The Atkinson Charitable Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

6. ENDOWMENT NET ASSETS

Endowment net assets are made up of amounts where the principal and any net realized and unrealized gains are required to be maintained. Endowment net assets include externally restricted funds that will be used as stipulated by the contributors.

Investment income earned on endowment net assets includes \$1,571,478 [2009 - \$1,625,392] recorded as interest, dividends and pooled fund distributions in the statement of operations, and realized gains of \$1,025,329 [2009 - realized losses of \$2,510,283] and change in unrealized gains of \$2,846,944 [2009 - \$9,242,793] recorded in the statement of changes in net assets.

During the year ended December 31, 2009, the Board of Trustees approved the transfer of the internally endowed net assets to unrestricted net assets.

7. RELATED PARTY TRANSACTIONS

- [a] Torstar Corporation ["Torstar"] pays and is reimbursed for payroll and other expenses paid on behalf of the Foundation. As at December 31, 2010, there is a payable to Torstar of \$331,025 [2009 - \$548,141] classified as a current liability. This amount is non-interest bearing and due on demand.
- [b] As at December 31, 2009, there was a payable to Torstar of \$334,162 related to the Torstar Supplemental Retirement Income Plan for a former employee of the Foundation. During 2010, all obligations related to this liability were settled.
- [c] During the year, the Foundation paid rent of \$27,780 [2009 - nil] to Torstar for office space.
- [d] Torstar provides accounting services to the Foundation for a fee of \$7,000 [2009 - \$7,000] and certain other administrative services at no cost to the Foundation.

8. FINANCIAL INSTRUMENTS

The Foundation is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the Foundation has established a target mix of investment types designed to achieve optimal return within reasonable risk tolerances.

The Atkinson Charitable Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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, 2010, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

10. COMMITMENTS

The Foundation entered into a premise lease commencing June 1, 2010 for a period of five years. The Foundation's future minimum annual lease payments for premises and equipment are as follows:

	\$
2011	73,828
2012	73,828
2013	73,828
2014	73,828
2015	30,762
	<u>326,074</u>

11. ALLOCATION OF EXPENSES

General and administrative expenses of \$466,867 [2009 - \$425,311] have been allocated to program development expenses.

12. STATEMENT OF CASH FLOWS

A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.