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The Pierre Elliott Trudeau Foundation
Annual Report
2008-2009

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FONDATION TRUDEAU FOUNDATION

08–09

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Annual Report
2008-2009

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KNOWLEDGE ACQUISITION

KNOWLEDGE TRANSFER

ACHIEVEMENTS IN 2008-2009

Our distinctive and essential organization is devoted to the delivery of four core programs: three funding programs targeted towards Scholars, Fellows and Mentors, and a Public Interaction Program, intended to achieve knowledge acquisition, transfer and exchange among our program beneficiaries and the public. The Foundation's annual activity cycle revolves around these four main programs.

The Foundation successfully delivered on all commitments made in its Business Plan 2008-2009.

KNOWLEDGE EXCHANGE

FIFTEEN NEW 2009 TRUDEAU SCHOLARS

A $2.7 million commitment over up to four years to support a group of fifteen outstanding Canadian and foreign Ph.D. students actively engaged in their fields and expected to become leading national and international figures. The Foundation currently funds 62 Scholars.

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FIVE 2009 TRUDEAU **FELLOWS,** INCLUDING A FIRST INTERNATIONAL VISITING TRUDEAU FELLOW

An investment of $1.1 million over three years in four Canadian intellectuals and one researcher from abroad who have set themselves apart through their research achievements, creativity and social commitment. The Foundation currently supports fifteen Fellows.

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TEN 2009 TRUDEAU **MENTORS**

Offering $350,000 to ten highly accomplished Canadians from diverse backgrounds who have been paired with 2007 Trudeau Scholars to help them connect with policy networks. Nineteen Mentors are currently enrolled in the Mentoring program for 18-month mandates.

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EIGHT MAJOR PUBLIC INTERACTION EVENTS, IN ADDITION TO SIX OTHER EVENTS

organized by Trudeau community members or with other external partners, and sponsored by the Foundation, that have attracted more than 1,500 participants.

IN ADDITION...

WE CONTINUED DISCUSSIONS WITH CANADIAN INSTITUTIONS, UNIVERSITIES AND THE BUSINESS COMMUNITY

to assess the potential of targeted fundraising efforts.

WE FOCUSED EVEN MORE DIRECTLY ON KNOWLEDGE DISSEMINATION ACTIVITIES,

notably by initiating the creation of an alumni association and by launching the Trudeau Lectures series to communicate our Fellows' knowledge to a wide audience.

WE DEDICATED MORE RESOURCES TO OUR INTERNATIONAL OUTREACH

For instance, we launched the first Visiting Trudeau Fellowship, enabling a leading intellectual to do research and teaching in Canada and we joined the UN Alliance of Civilizations Network of Foundations.

WE IMPROVED TRACEABILITY OF THE FOUNDATION'S SPENDING,

particularly through developing a new management framework for the Fellowship with universities.

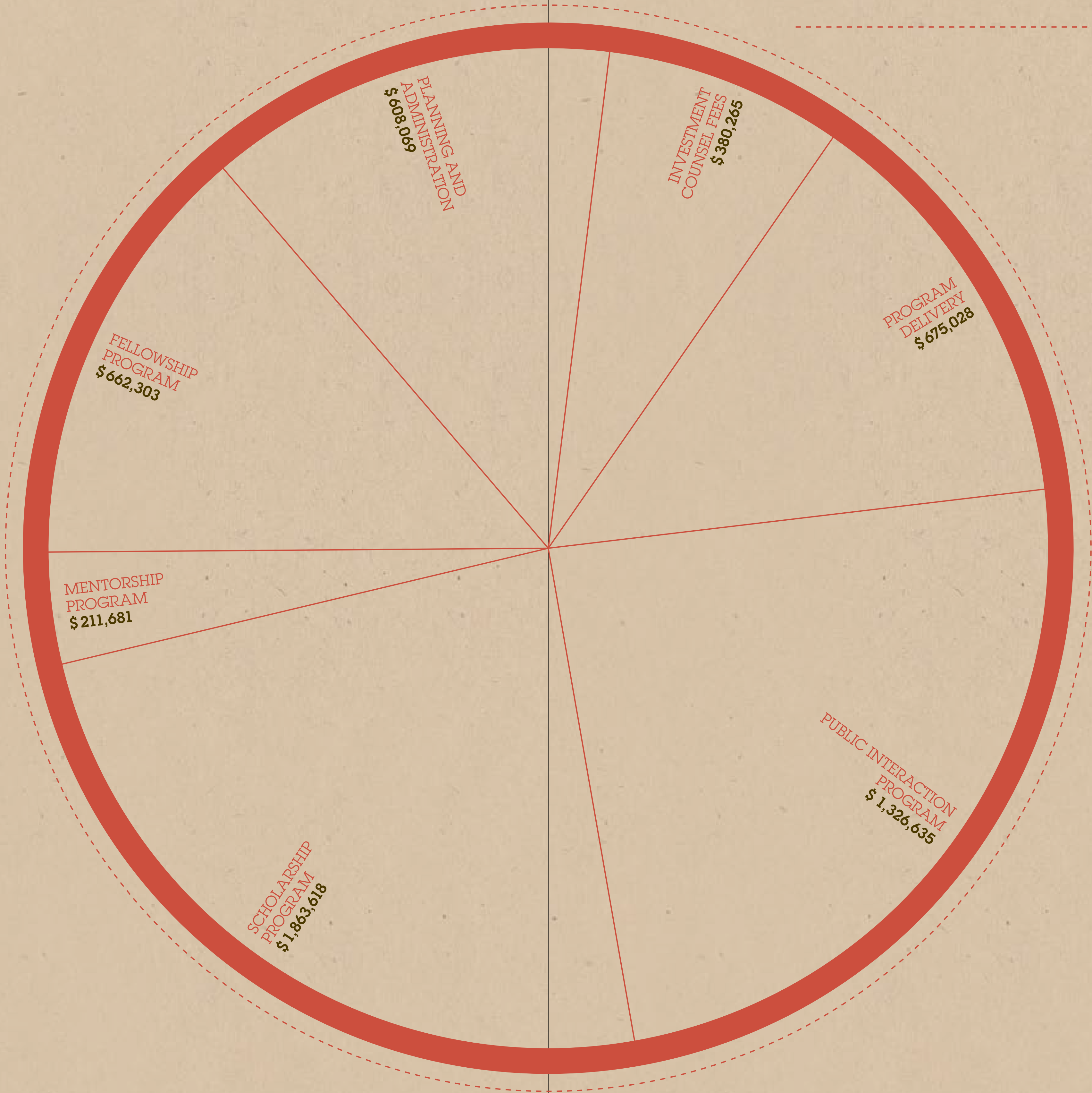
WE PROCEEDED WITH A FIRST THOROUGH FIVE-YEAR REVIEW

of the Foundation's programs and activities conducted by a three-member external Distinguished Review Panel, whose conclusions were overwhelmingly positive.

INVESTMENTS (MARKET VALUE) AT AUGUST 31, 2009

In spite of the grim financial and economical situation, the investment holdings surpassed $150 million in 2009, thanks to diligent management by the Foundation's executive.

2009 EXPENSES
83% OF OUR EXPENSES ARE ALLOCATED TO PROGRAMS.



The Pierre Elliott Trudeau Foundation
Financial Statements
August 31, 2009

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NOVEMBER 5, 2009

AUDITORS' REPORT

TO THE DIRECTORS OF LA FONDATION PIERRE ELLIOTT TRUDEAU/ THE PIERRE ELLIOTT TRUDEAU FOUNDATION

We have audited the statement of financial position of **La Fondation Pierre Elliott Trudeau/The Pierre Elliott Trudeau Foundation** (the "Foundation") as at August 31, 2009 and the statements of revenues and expenses, changes in net assets 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.

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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at August 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP [1]

[1] Chartered accountant auditor permit No. 15492

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

STATEMENT OF FINANCIAL POSITION AS AT AUGUST 31, 2009

	2009	2008
	$	$
Assets		
Current assets		
Cash and cash equivalents	**373,116**	1,886,055
Short-term investments (note 5)	**788,062**	938,442
Marketable securities (note 6)	**3,162,407**	13,793,475
Interest receivable	**1,683,313**	1,938,699
Other receivables	**97,403**	163,407
	6,104,301	18,720,078
Marketable securities (note 6)	**145,368,408**	128,724,479
Property and equipment (note 7)	**171,627**	198,346
Deferred website development costs (accumulated amortization of $174,074; 2008 – $171,413)	**5,322**	–
	151,649,658	147,642,903
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**456,822**	279,250
Deferred revenue (note 12)	**–**	46,153
Current portion of fellowship prizes payable (note 8(a))	**597,514**	608,279
Current portion of scholarships payable (note 8(b))	**1,337,398**	938,186
Mentorships payable	**100,000**	95,000
	2,491,734	1,966,868
Long-term liabilities		
Fellowship prizes payable (note 8(a))	**402,105**	466,810
Scholarships payable (note 8(b))	**2,011,263**	1,917,560
	2,413,368	2,384,370
	4,905,102	4,351,238
Net Assets		
Net assets restricted for endowment purposes (note 9)	**125,000,000**	125,000,000
Net assets invested in property and equipment	**171,627**	198,346
Internally restricted net assets (note 10)	**13,125,000**	11,250,000
Unrestricted net assets (note 11)	**8,447,929**	6,843,319
	146,744,556	143,291,665
	151,649,658	147,642,903

Approved by the Board of Directors

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2009

					2009	2008
	Restricted for endowment purposes	Invested in property and equipment	Internally restricted	Unrestricted	**Total**	Total
	$	$	$	$	$	$
Balance – Beginning of year	125,000,000	198,346	11,250,000	6,843,319	**143,291,665**	138,922,743
Change in accounting policy (note 2)	–	–	–	–	**–**	(1,092,341)
Excess (deficiency) of revenues over expenses for the year	–	(40,579)	–	3,493,470	**3,452,891**	5,461,263
Internally imposed restriction	–	–	1,875,000	(1,875,000)	**–**	–
Investment in property and equipment	–	13,860	–	(13,860)	**–**	–
Balance – End of year	125,000,000	171,627	13,125,000	8,447,929	**146,744,556**	143,291,665

STATEMENT OF REVENUES AND EXPENSES FOR THE YEAR ENDED AUGUST 31, 2009

	2009	2008
	$	$
Revenues		
Interest	**6,593,614**	6,816,482
Gain on disposal of fixed income securities	**212,250**	805,015
Unrealized gain on marketable securities	**2,322,724**	3,640,079
Donations	**51,902**	1,600
	9,180,490	11,263,176
Expenses		
PIP	**1,326,635**	1,292,059
Scholarship program	**1,863,618**	1,897,656
Mentorship program	**211,681**	184,268
Fellowship program	**662,303**	773,175
Planning and administration (schedule of expenses)	**608,069**	675,514
Program delivery (schedule of expenses)	**675,028**	618,167
Investment counsel fees	**380,265**	361,074
	5,727,599	5,801,913
Excess of revenues over expenses for the year	**3,452,891**	5,461,263

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AUGUST 31, 2009

	2009	2008
	$	$
Cash flows from		
Operating activities		
Excess of revenues over expenses for the year	**3,452,891**	5,461,263
Items not affecting cash and cash equivalents		
Gain on disposal of fixed income securities	**(212,250)**	(805,015)
Unrealized gain on marketable securities	**(2,322,724)**	(3,640,079)
Amortization of property and equipment	**40,579**	42,857
Amortization of website development costs	**2,661**	9,540
Unrealized gain on long-term liabilities and interest expense	**(106,132)**	(46,889)
	855,025	1,021,677
Changes in non-cash working capital components		
Decrease (increase) in		
Interest receivable	**255,386**	49,211
Other receivables	**66,004**	(66,299)
Increase (decrease) in		
Accounts payable and accrued liabilities	**177,572**	62,760
Deferred revenue	**(46,153)**	–
Scholarships and fellowship prizes payable	**523,577**	737,750
Mentorships payable	**5,000**	5,000
	981,386	788,422
	1,836,411	1,810,099
Investing activities		
Purchase of short-term investments	**(115,696,086)**	(125,651,518)
Proceeds on disposal of short-term investments	**115,846,466**	126,648,936
Purchase of fixed income securities	**(86,195,392)**	(38,882,776)
Proceeds on disposal of fixed income securities	**82,717,505**	37,747,167
Purchase of property and equipment	**(13,860)**	(2,882)
Deferred website development costs	**(7,983)**	–
	(3,349,350)	(141,073)
Net change in cash and cash equivalents during the year	**(1,512,939)**	1,669,026
Cash and cash equivalents – Beginning of year	**1,886,055**	217,029
Cash and cash equivalents – End of year	**373,116**	1,886,055

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009

1 PURPOSE

La Fondation Pierre Elliott Trudeau/The Pierre Elliott Trudeau Foundation (the "Foundation") was incorporated on February 7, 2001 under Part II of the Canada Corporations Act and began operations in March 2002. An independent and non-partisan Canadian charity, the Foundation was established as a living memorial to the former Prime Minister by his family, friends, and colleagues. The Foundation supports creative and critical thinkers who make meaningful contributions to critical social issues through scholarships, fellowships, mentorships and public interaction events.

The Foundation was officially registered with the federal government as a charitable organization on January 22, 2003.

2 CHANGES IN ACCOUNTING POLICIES

a) For the year ended August 31, 2009

Effective September 1, 2008, the Foundation adopted the following two new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, the quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements. Disclosure and presentation requirements pertaining to this section are contained in note 4.

Section 1400, "General Standards of Financial Statement Presentation", was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The Foundation's disclosure reflects such assessment.

b) Effect of accounting pronouncements not yet effective

The Foundation has elected to continue to apply Section 3861, "Financial Instruments – Disclosure and Presentation", as permitted for not-for-profit organizations under recently issued sections 3862 and 3863 on disclosures and presentation of financial instruments.

3 SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

On September 1, 2007, the Foundation adopted Section 3855, "Financial Instruments – Recognition and Measurement".

To reflect the adoption of this new standard, unrestricted net assets have been reduced by $1,290,819 as at September 1, 2007 and the value of the marketable securities has been reduced by the same amount. Furthermore, long-term liabilities have been reduced by $198,478 and unrestricted net assets have been increased by the same amount to reflect the fair value of the long-term liabilities.

Financial assets are initially recorded at their fair value, and their revaluation depends on their classification, as described hereafter. Classification depends on when the financial instrument was acquired or issued, its characteristics and its designation by the Foundation. Settlement date accounting is used. Financial liabilities are recorded at cost.

- Cash and cash equivalents, short-term investments and marketable securities are classified as "held-for-trading assets". They are presented at fair value, and gains or losses related to the revaluation at the end of each year are included in revenues and expenses. Transaction costs are recognized in excess of revenues over expenses.

- Interest receivable and other receivables are classified as "loans and receivables". After being initially recorded at fair value, they are evaluated at cost after amortization using the effective interest rate method. For the Foundation, amortized cost is generally cost because of the short-term maturity.

- Accounts payable, accrued liabilities and long-term liabilities are classified as "other financial liabilities". They are initially evaluated at fair value, and future evaluations are done at cost after amortization using the effective interest rate method. For the Foundation, amortized cost is generally cost because of the short-term maturity, except for long-term liabilities, which are recorded at the discounted value at initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management estimates

The preparation of financial statements in conformity with 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 amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of deposits with major financial institutions and balances with investment brokers.

Marketable securities

Marketable securities consist of short-, mid- and long-term debt instruments.

Revenue recognition

Contributions

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or as receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest

Interest is recorded on an accrual basis when collection is considered probable.

Gains and losses on disposal of investments

Gains and losses on disposal of investments are recorded at the date of sale and represent the difference between the sale proceeds and the cost.

Scholars, Fellows and Mentors programs

Scholarships, prizes and honoraria are recorded as liabilities and expensed in the year of approval. Ongoing monitoring of the programs occurs on a continuing basis as part of an overall commitment to accountability. Since the scholar and fellow programs are multi-year commitments, changes in amounts committed are adjusted in the year they occur.

Property and equipment

Property and equipment are stated at cost less amortization. Amortization is provided for using the declining balance method over the estimated useful lives of the assets as follows:

Office communication equipment	20%
Furniture and fixtures	20%
Computer equipment	25% to 33%
Computer software	20%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Artwork is not amortized because the useful life is virtually unlimited.

Deferred website development costs

Incremental costs directly related to the development of the website and placing it into service are deferred when it is probable that they will have a future benefit. Such costs are charged to expenses on a straight-line basis over a period of three years. If the unamortized balance of these costs exceeds the expected recovery, the excess will be charged to expenses during the year.

These costs are expensed to the Public Interaction Program ("PIP"), as the public and internal websites are an important vehicle for enabling the exchange of information and ideas within the Trudeau Network, and for the promotion of enhanced public discourse on major societal issues.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of long-lived assets

The Foundation reviews, when circumstances indicate it to be necessary, the carrying values of its long-lived assets by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the amount by which the asset carrying amount exceeds its fair value, based on quoted market prices, when available, or on the estimated current value of future cash flows.

4 CAPITAL DISCLOSURES

On September 1, 2008, the Foundation adopted the provisions of Section 1535, which establishes standards for disclosing qualitative and quantitative information about an entity's capital and how it is managed.

As at August 31, 2009, the Foundation's capital structure consists of a $125 million endowment from the federal government, internally restricted funds of $13,125,000 and unrestricted net assets of $8,447,929.

The federal government's Funding Agreement stipulates that the endowment not be spent, but that the income it generates may be used for the Foundation's purposes. Accordingly, the Foundation manages its capital with the following objectives:

- preserving the capital of the endowment;
- protecting the endowment from inflationary impacts;
- funding current and future operations;
- ensuring that the Foundation is able to meet its financial obligations as they come due; and
- safeguarding the Foundation's ability to continue developing its programs in the long term.

5 SHORT-TERM INVESTMENTS

Short-term investments comprise Canadian dollar-denominated deposits and money market funds. These investments bear interest at a floating rate and mature no later than August 31, 2010.

6 MARKETABLE SECURITIES

Marketable securities consist of Canadian government and corporate bonds. The Foundation's investments are exclusively in bonds rated no lower than "A" by at least one recognized credit rating agency. However, bonds with a maturity of over five years carry an "AA" rating, as required by the federal government's Funding Agreement with the Foundation.

The allocation of investments in fixed income securities by maturity date is as follows:

				2009
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
	$	**$**	**$**	**$**
Fair value	**3,162,407**	**62,156,061**	**83,212,348**	**148,530,816**
Par value	**3,080,109**	**57,786,000**	**78,630,000**	**139,496,109**
Weighted average yield	**4.65%**	**4.60%**	**4.08%**	

				2008
	Less than 1 year	1 to 5 years	More than 5 years	Total
	$	$	$	$
Fair value	13,793,475	80,627,510	48,096,969	142,517,954
Par value	13,608,071	76,946,158	45,821,000	136,375,229
Weighted average yield	4.42%	4.86%	4.93%	

7 PROPERTY AND EQUIPMENT

			2009	2008
	Cost	Accumulated amortization	**Net**	Net
	$	$	**$**	$
Office communication equipment	16,239	11,656	**4,583**	5,729
Furniture and fixtures	84,665	59,344	**25,321**	29,644
Computer equipment	79,450	54,775	**24,675**	20,298
Computer software	49,565	34,341	**15,224**	17,650
Leasehold improvements	322,474	229,670	**92,804**	116,005
Artwork	9,020	–	**9,020**	9,020
	561,413	389,786	**171,627**	198,346

8 LONG-TERM LIABILITIES

a) Fellowship prizes payable

	2009	2008
	$	$
Current portion of fellowship prizes payable	**597,514**	608,279
Long-term portion of fellowship prizes payable		
in years ending August 31, 2010	**–**	352,811
2011	**310,707**	113,999
2012	**91,398**	–
	402,105	466,810
	999,619	1,075,089

b) Scholarships payable

	2009	2008
	$	$
Current portion of scholarships payable	**1,337,398**	938,186
Long-term portion of scholarships payable		
in years ending August 31, 2010	**–**	1,156,172
2011	**967,496**	761,388
2012	**1,043,767**	–
	2,011,263	1,917,560
	3,348,661	2,855,746

Interest expenses included in program expenses using the effective interest rate method are as follows:

	2009	2008
	$	$
Scholarship program	**88,449**	131,511
Fellowship program	**17,683**	36,790
	106,132	168,301

9 NET ASSETS RESTRICTED FOR ENDOWMENT PURPOSES

In March 2002, the Foundation entered into a funding agreement with the federal government whereby the latter provided an endowment of $125 million to the Foundation for the purpose of establishing the Advanced Research in Humanities and Human Sciences Fund ("The Fund"). As per the agreement, the endowment bears no interest and must be capitalized in perpetuity. Only the income derived from the endowment can be used for the purposes of the Foundation. All revenues earned are reported in the statement of revenues and expenses of the Foundation.

In the event of a default by the Foundation, the government may terminate the agreement and require the Foundation to repay the funds not otherwise committed, in accordance with the agreement.

10 INTERNALLY RESTRICTED NET ASSETS

The Foundation's Board of Directors placed internal restrictions on a portion of the excess of revenues over expenses for the year. An annual amount of $1.875 million is restricted each year to ensure the protection of the endowment. Internally restricted net assets are capitalized following the policies indicated in note 3.

11 UNRESTRICTED NET ASSETS

Unrestricted net assets represent the cumulative excess of revenues over expenses which remains after the endowment, net assets invested in property and equipment and all internally restricted funds have been set aside. Unrestricted net assets comprise two distinct amounts: the cumulative growth of the Fund, which is subject to the conditions outlined in the funding agreement between the Foundation and the federal government; and the Private Donations Fund, which is not subject to the funding agreement, consisting of unrestricted private donations received by the Foundation.

	2009	2008
	$	$
Cumulative growth of the Fund	8,067,820	6,503,514
Private Donations Fund	380,109	339,805
Total unrestricted net assets	8,447,929	6,843,319

12 DEFERRED REVENUE

In 2007, the Foundation received donations which were intended to subsidize a future initiative, the Trudeau Lectures. These donations were recorded as deferred revenue until the formal launch of the Lectures in fiscal 2009, at which time they were recognized in revenues as ordinary donations.

13 INTEREST RATE RISK

The Foundation's exposure to interest rate risk is as follows:

Cash and cash equivalents	Floating rate
Short-term investments	Floating rate
Investment in fixed income securities	Fixed rates ranging from 2.00% to 8.75%
Interest receivable, other receivables and all liabilities	Non-interest bearing

14 CREDIT RISK

The Foundation invests in major government and corporate short-term and fixed income securities according to established policies. The Investment Committee monitors these investments for credit risk. Management believes that there is no significant credit risk as at August 31, 2009.

15 COMMITMENTS

a) In fiscal 2009, the Foundation has awarded ten Mentors, five Fellows and fifteen Scholars. In fiscal 2008, the Foundation awarded nine Mentors, five Fellows and fifteen Scholars. The maximum amounts committed with respect to travel and meetings are as follows:

	$
Years ending August 31, 2010	1,219,000
2011	881,400
2012	359,600

b) Future minimum rental payments under operating leases for the next five years are as follows:

	$
Years ending August 31, 2010	148,345
2011	147,417
2012	146,488
2013	99,665
2014	5,990

	2009	2008
	$	$
Planning and administration		
Salaries and benefits	119,690	121,322
Rent and occupancy	153,475	135,056
Professional fees	127,058	162,109
Access to Information Act and Privacy Act	9,726	45,522
Communications, meeting and travel	81,442	90,864
Other employee expenses	6,606	11,202
Office expenses	69,186	66,250
Amortization of property and equipment	40,579	42,857
Bank charges	307	332
	608,069	675,514
Program delivery		
Salaries and benefits	582,576	559,505
Professional fees	60,666	4,678
Outreach and communications	31,786	53,984
	675,028	618,167

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