

TerraTundra Foundation

Financial Statements

For the Year Ended December 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of TerraTundra Foundation

We have audited the accompanying financial statements of TerraTundra Foundation, which comprise the balance sheet as at December 31, 2013 and the statements of operations and changes in fund balances 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 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.

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 TerraTundra Foundation as at December 31, 2013 and the results of its operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Colling Barron Toronto LLP

Licensed Public Accountants
Chartered Accountants
June 11, 2014
Toronto, Ontario

TerraTundra Foundation
Balance Sheet
As at December 31, 2013

	2013	2012
Assets		
Cash	\$ 9,141	\$ 15,520
Investments (Note 4)	1,515,512	1,394,520
Due from Terra Tundra Dividend Growth Fund (Note 6)	14,661	-
	\$ 1,539,314	\$ 1,410,040
Liabilities		
Accounts payable and accrued liabilities	\$ 19,000	\$ 19,000
Due to Terra Fund Management Ltd. (Note 6)	41,736	36,685
	60,736	55,685
Fund Balances		
Donor advised funds	1,478,578	1,354,355
	\$ 1,539,314	\$ 1,410,040

Approved by the Board

 John Jacobi
 Director

TerraTundra Foundation
Statement of Operations and Changes in Fund Balances
For the year ended December 31, 2013

	2013	2012
	Donor Advised Funds*	Total
Revenue		
Donations - securities	\$ 875,220	\$ 970,538
Donations - cash	-	1,500
Distribution income	10,130	21,457
Interest income	72	275
Fund administration fee rebate	14,661	-
	900,083	993,770
Expenses		
Accounting and audit	20,340	19,000
Administration and other	13,044	8,460
Directors' fees	-	1,500
Early redemption fees	4,560	10,054
	37,944	39,014
Net revenue before undernoted	862,139	954,756
Net loss on investments	(171,134)	(122,340)
Net revenue before donations to registered charities	691,005	832,416
Gifts to charities	566,782	308,400
Net revenue	124,223	524,016
Fund balances, beginning of year	1,354,355	830,339
Fund balances, end of year	\$ 1,478,578	\$ 1,354,355

* General Fund is inactive.

TerraTundra Foundation
Statement of Cash Flows
For the year ended December 31, 2013

	2013	2012
Cash provided by (used in)		
Operating activities		
Net revenue	\$ 124,223	\$ 524,016
Items not affecting cash		
Received donated securities	(875,220)	(970,538)
Net loss on investments	171,134	122,340
Net fees and income settled through disposition of donated securities	16,312	(10,482)
	(563,551)	(334,664)
Net changes in non-cash operating assets and liabilities		
Due from Terra Tundra Dividend Growth Fund	(14,661)	-
Accounts payable and accrued liabilities	-	3,000
Due to Terra Fund Management Ltd.	5,051	31,289
Net cash used in operating activities	(573,161)	(300,375)
Investing activity		
Proceeds from disposal of donated securities	566,782	308,400
Net change in cash during the year	(6,379)	8,025
Cash, beginning of year	15,520	7,495
Cash, end of year	\$ 9,141	\$ 15,520

1. NATURE OF THE ORGANIZATION

TerraTundra Foundation (the "Organization") is a non-profit charitable corporation incorporated on March 4, 2011 and registered as a public foundation with the Canada Revenue Agency and Revenu Quebec. Its registration number is 82129 5003 RR0001.

The Organization's purpose is to manage charitable giving funds, which are also known as donor-advised funds. The Organization operates exclusively for charitable purposes with the objective to receive and maintain charitable giving funds and to apply all or part of the principal and income from those funds to registered charities.

The Organization is a registered charity and is classified as a public foundation under Section 149.1 (1) of the Income Tax Act (Canada) (the Act). As such, it is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as a public foundation registered under the Act, the Organization must meet certain requirements within the Act. In the opinion of the management, these requirements have been met.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Organization follows the restricted fund method of accounting for contributions. The Organization ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they are provided.

These financial statements include the following funds:

Restricted Fund - Donor Advised Funds ("DAF")

These funds represent donations made to the Organization that have been segregated into stand-alone funds within the Organization from which disbursements are made to qualified charitable organizations on the direction of the donors.

All administration and other operating expenses relating to the investments held in the DAF and operations of the Organization are chargeable and paid from the DAF. Refer to Note 3 for details of these expenses.

General Fund

These funds are disbursed at the discretion of the directors based on the needs of the community and for the Organization's general fundraising and related administrative activities. The General Fund includes activities other than the activities included in the Donor Advised Funds and include realized and unrealized gains on securities, interest and other investment income from the securities held in the General Fund, if any.

Donated Securities

Donated securities are recorded at their fair value on the date of transfer of title of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value, with any resultant gain or loss recognized in the statement of operations and changes in fund balances.

Financial liabilities classified as other financial liabilities are measured at amortized cost using the effective interest rate method.

The Organization has made the following classifications:

Cash	FVTPL
Investments	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities
Due to Terra Fund Management Ltd.	Other financial liabilities

3. FEES AND EXPENSES

Administration Fees

The Organization's administration fee is set at a maximum annual rate of 1.00% and is deducted from each donor's DAF account balance quarterly and payable to the Organization's administration service provider, Terra Fund Management Ltd. (the "Administrator" or "TFM").

The administration fee is calculated monthly based on the net asset value of assets held in the donor's DAF account balance as set forth below.

Account balance	Annual Administration fee rate
On account assets up to \$1 million	1.00 %
On account assets over \$1 million and up to \$3 million	0.75 %
On account assets over \$3 million	0.50 %
On account assets over \$5 million	Contact the Organization

3. FEES AND EXPENSES (Cont'd)

Administration Fees (Cont'd)

The minimum annual administration fee is \$100 and is assessed in March on all accounts with asset values less than \$10,000.

During 2013, the Organization incurred administration fees amounting to \$12,856 (2012 - \$8,428) for existing accountholders since 2012.

During 2013 and 2012, administration fees were waived by Terra Fund Management for the accountholders who donated their mutual fund securities in 2013 and 2012, respectively.

Other Operating Expenses

The Organization's operating expenses are variable and will be charged to each donor's DAF account balance based on its pro-rata share. These operating expenses include, without limitation, audit and accounting fees, legal fees, the costs of the Organization's donor program guide, program forms and any annual report, regulatory filings and other regulatory fees, interest and bank charges, insurance, non-refundable GST/HST and out-of-pocket expenses and other nominal expenses related to the operation of the Directors' meetings.

If significant charitable operating expenses are incurred by a particular donor's account, then the Organization may allocate those expenses directly to that donor's DAF account to ensure the fair and equal distribution of costs amongst all the participants.

Program Fees

Each donor's DAF account may also be allocated grant activity charges (the "Program Fees"). These Program Fees exclude management fees and operating expenses that are directly paid by the relevant Terra Mutual Funds. During 2013 and 2012, no Program Fees were allocated to each donor's DAF accounts.

TerraTundra Foundation
Notes to Financial Statements
December 31, 2013

4. INVESTMENTS

	2013	2012
	Donor Advised Funds*	Total
Investments held at fair value	\$ 1,515,512	\$ 1,394,520
* General Fund is inactive.		
Investments held at fair value:		
Terra Tundra Equity Income Fund	\$ -	\$ 1,389,890
Terra Tundra Dividend Growth Fund	634,792	2,399
Terra Resource ETF Fund	-	2,231
Terra Tundra Money Market Fund	6,053	-
Terra Small Cap Growth Fund	874,667	-
	\$ 1,515,512	\$ 1,394,520

The investment in Mutual Fund shares are valued at the net asset value reported by the relevant Mutual Funds at the valuation date.

5. FINANCIAL RISK MANAGEMENT

The Organization relies on the Fund Manager to manage the risks that arise from its use of financial instruments, including liquidity, credit and market risk. Management regularly reviews the Organization's investments to ensure all activities adhere to the investment policy.

Price risk

The Organization's investments are subject to price risk, which arises from the possibility that changes in market prices will affect the fair value of the investments.

Market risk is the potential for financial loss to the Organization from changes in the values of its financial instruments due to changes in interest rates, currency exchange rates or equity prices. The investments of the Organization are subject to normal market fluctuations and to the risk inherent in investment in capital markets.

Equity price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices. The Organization is exposed to equity price risk through the shareholdings of the mutual funds held by donors to the Organization. The objective of the Organization's investment policy is to control equity price risk by maintaining a portfolio which is diversified across geographic and industry sectors.

6. RELATED PARTY TRANSACTIONS

During the year, the Organization earned administration and operating fees in the amount of \$14,661 (2012 - \$Nil) from Terra Tundra Dividend Growth Fund, a fund managed by a director of the Organization. These fees are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The amount due to Terra Fund Management Ltd. is non-interest bearing and is due on demand. The Organization is related by way of common management whereby the president of Terra Fund Management Ltd. is a director of the Organization.