

The Zhubin Foundation

Financial Statements
(Unaudited – See Notice to Reader)
December 31, 2005

March 17, 2006

Notice to Reader

We have compiled the statement of financial position of **The Zhubin Foundation** as at December 31, 2005 and the statements of operations, changes in net assets and cash flows for the year then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

PricewaterhouseCoopers LLP

Chartered Accountants

The Zhubin Foundation

Statement of Financial Position
(Unaudited – See Notice to Reader)
As at December 31, 2005

	2005 \$	2004 \$
Assets		
Current assets		
Cash	22,919	48,919
Accrued interest and dividends receivable	104	677
Sales taxes recoverable	1,654	772
Withholding taxes recoverable	53	-
	<hr/>	<hr/>
	24,730	50,368
Marketable securities – at cost (quoted value \$622,085; 2004 – \$279,334) (note 3)	552,716	267,423
Non-marketable securities – at cost	3	-
	<hr/>	<hr/>
	577,449	317,791
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	-	135
Advances	-	508
	<hr/>	<hr/>
	-	643
Deferred contributions (note 4)	380,892	286,000
	<hr/>	<hr/>
	380,892	286,643
Net Assets		
Unrestricted net assets	196,557	31,148
	<hr/>	<hr/>
	577,449	317,791
	<hr/>	<hr/>

The Zhubin Foundation

Statement of Changes in Net Assets

(Unaudited – See Notice to Reader)

For the year ended December 31, 2005

	2005	2004
	\$	\$
Net assets – Beginning of year	31,148	(2,763)
Excess of revenues over expenses for the year	<u>165,409</u>	<u>33,911</u>
Net assets – End of year	<u>196,557</u>	<u>31,148</u>

The Zhubin Foundation

Statement of Operations

(Unaudited – See Notice to Reader)

For the year ended December 31, 2005

	2005 \$	2004 \$
Revenues		
Annual campaign unrestricted donations		
Canadian-source donations	56,624	39,521
Contributions by an unrelated registered charity	-	15,832
Contributions by an unrelated Canadian private foundation	-	7,000
Foreign-source donations	161,163	1,295
	<hr/>	<hr/>
	217,787	63,648
Related expenses – Annual dinner	6,484	5,072
	<hr/>	<hr/>
	211,303	58,576
Investment income (note 5)	16,229	3,321
	<hr/>	<hr/>
	227,532	61,897
	<hr/>	<hr/>
Expenses		
Operating		
Professional fees	108	-
Utilities, including website	270	926
Stationery and supplies	1,267	1,588
Bank and credit card charges	240	89
Other administration	238	383
	<hr/>	<hr/>
	2,123	2,986
Grants given	60,000	25,000
	<hr/>	<hr/>
	62,123	27,986
	<hr/>	<hr/>
Excess of revenues over expenses for the year	165,409	33,911
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The Zhubin Foundation

Statement of Cash Flows

(Unaudited – See Notice to Reader)

For the year ended December 31, 2005

	2005	2004
	\$	\$
Cash flows from		
Operating activities		
Excess of revenues over expenses for the year	165,409	33,911
Changes in non-cash working capital components		
Decrease (increase) in		
Accrued interest and dividends receivable	573	(677)
Sales taxes recoverable	(882)	(572)
Withholding taxes recoverable	(53)	-
Increase (decrease) in		
Accounts payable and accrued liabilities	(135)	(3,127)
Advances	(508)	508
	<hr/> 164,404	<hr/> 30,043
Investing and financing activities		
Purchase of marketable securities	(300,033)	(275,414)
Proceeds on disposal of marketable securities	14,740	7,990
Donation of non-marketable securities	(3)	-
Deferred contributions	94,892	286,000
	<hr/> (190,404)	<hr/> 18,576
Increase (decrease) in cash	(26,000)	48,619
Cash – Beginning of year	<hr/> 48,919	<hr/> 300
Cash – End of year	<hr/> <hr/> 22,919	<hr/> <hr/> 48,919

The Zhubin Foundation

Notes to Financial Statements

(Unaudited – See Notice to Reader)

December 31, 2005

1 Purpose

The Zhubin Foundation (the “Foundation”) was incorporated on April 15, 2003 without share capital by letters patent under Part II of the Canada Corporations Act and is a registered charity under both the Income Tax Act (Canada) and the Quebec Taxation Act. The mission of the Foundation consists of distributing funds to registered charities whose mandate is the delivery of assistance to families residing in the Greater Montréal Area and living with dependent, special needs children of all ages.

2 Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant policies.

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 reporting period. Actual results could differ from those estimates.

Revenue recognition

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 receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue is earned.

Contributed services

Volunteers contribute countless hours each year to assist the Foundation in achieving its mission. Because of the difficulty of determining their fair value, these contributed services are not recognized in the financial statements.

Cash

Cash consists of deposits with major financial institutions and balances with investment brokers.

The Zhubin Foundation

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Marketable securities

Marketable securities consist of equity instruments and bonds. Equity instruments are recorded at the lower of cost and market value. Bonds are recorded at face value plus or minus the unamortized premium or discount related to the bond.

Foreign exchange translation

Monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. Revenues and expenses are translated at the rate of exchange prevailing at the transaction date. Gains and losses on translation are included in excess of revenues over expenses for the current year.

Fair value of financial instruments

The Foundation has evaluated the fair values of its financial instruments based on current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying value of its financial instruments is considered to approximate fair value, unless otherwise indicated.

3 Marketable securities

Marketable securities consist of investments in Canadian, U.S. and international equities and corporate and government bonds denominated in Canadian dollars, U.S. dollars, U.K. pounds sterling, Japanese yen, Singapore dollars, New Zealand dollars, Australian dollars, Norwegian kroner, Swiss francs, and euros. The Foundation's equity investments are mainly in large capitalization stocks traded on major exchanges.

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Marketable securities consist of the following:

	2005 \$	2004 \$
Equities		
Denominated in Canadian dollars	74,228	49,140
Denominated in U.S. dollars (US\$198,359; 2004 – US\$94,962)	241,626	122,093
Denominated in U.K. pounds sterling (£26,686; 2004 – £17,676)	64,143	43,140
Denominated in Japanese yen (¥1,740,891; 2004 – ¥671,727)	19,954	8,193
Denominated in euros (€38,466; 2004 – €1,128)	59,118	39,910
Denominated in Australian dollars (AU\$38,258; 2004 – nil)	35,289	-
Denominated in Norwegian kroner (NOK80,400; 2004 – nil)	15,838	-
Denominated in Singapore dollars (SG\$12,519; 2004 – nil)	9,441	-
Denominated in Swiss francs (CHF8,989; 2004 – nil)	8,799	-
	<hr/> 528,436	<hr/> 262,476
Bonds		
Denominated in Canadian dollars	5,000	5,000
Unamortized bond premium (discount) – denominated in Canadian dollars	(47)	(53)
Denominated in N.Z. dollars (NZ\$22,607; 2004 – nil)	28,979	-
Unamortized bond premium (discount) – denominated in N.Z. dollars	(9,652)	-
	<hr/> 24,280	<hr/> 4,947
	<hr/> <hr/> 552,716	<hr/> <hr/> 267,423

4 Deferred contributions

Deferred contributions represent donations received subject to a ten-year holding period. The investment income earned on these restricted contributions is not subject to any restriction.

	2005 \$	2004 \$
Balance – Beginning of year , related to ten-year restriction	286,000	-
Contributions received during the year	94,892	286,000
Balance – End of year	<hr/> 380,892	<hr/> 286,000

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The ten-year holding period expires as follows:

	\$
2014	286,000
2015	94,892

5 Investment income

Investment income consists of the following items:

	2005 \$	2004 \$
Interest	2,568	1,028
Dividends	7,226	3,567
Realized gain on disposal of investments – net	10,589	256
Foreign withholding taxes	(422)	(272)
Investment advisory fees	(2,259)	-
Safe custody fees	(1,473)	(1,258)
	<hr/>	<hr/>
Realized net investment income per statement of operations for the year ended December 31	16,229	3,321
Unrealized appreciation on marketable securities	70,994	11,911
	<hr/>	<hr/>
Realized investment income and unrealized appreciation on marketable securities	87,223	15,232

6 Financial instruments

Interest rate risk

The bonds included in marketable securities earn interest at coupon rates of between 0.550% and 5.25%.

Foreign currency risk

The Foundation owns marketable securities which are denominated in various currencies or are traded on United States and other foreign stock exchanges. The approximate market value of these securities at December 31, 2005 was \$531,000.

