

AQUEDUCT

FOUNDATION

2008 Annual Report

Who We Are

Aqueduct Foundation is a charitable public foundation registered with Canada Revenue Agency (BN86608 7034 RR0001). Its mission is to serve as a channel to flow funds to Canadian registered charities and other qualified donees and to facilitate planning of significant philanthropic gifts.

Aqueduct Foundation is incorporated under the Society Act of British Columbia. The Bank of Nova Scotia Trust Company (Scotiabank) provides service on an agency basis, Scotia Cassels Investment Counsel Limited provides investment services and Scotia Private Client Group represents the foundation to the public. Aqueduct's fiscal year end is December 31st.

Year in Review

The global economy underwent significant upheaval in 2008 with the credit crisis, severe stock market declines and the beginning of a worldwide recession. The result was a difficult year for charitable giving, especially for charities that are dependent upon significant gifts. The charitable sector faced a resource crisis at the same time there was an increased need for services. In particular, investment returns on endowments affected grants and operating budgets.

Donations

Aqueduct Foundation completed its third year of operation experiencing a year over year reduction in the value of immediate charitable gifts and an increase in long-term gift plans. We welcomed 35 new donors, who gave immediate gifts of cash, public securities, stock option proceeds, and private company shares, as well as future gifts in a number of forms, bringing Aqueduct's total donors to 96.

There were donations to 15 new funds totaling \$11,346,027. This compares to our record year in 2007 of \$107,361,755. Since its inception in 2006 Aqueduct Foundation has received \$160,041,234 in immediate donations.

We opened 20 new legacy funds worth approximately \$24,535,000 compared to 25 legacy funds worth approximately \$31,446,000 that were established in the previous two years. The legacy funds will be fully funded via gifts by will, life insurance policies, charitable remainder trusts and other future gift plans. The Foundation now has 45 legacy funds representing future gifts of approximately \$55,981,000.

Legacy funds are an important indicator of the trust placed in the Foundation by donors and demonstrate Aqueduct's ability to fulfill significant and complex gift plans in a professional fashion. We were particularly pleased by the number of donors who chose to include biographical statements with their legacy funds, as these will greatly help the Foundation ensure their wishes are understood and respected.

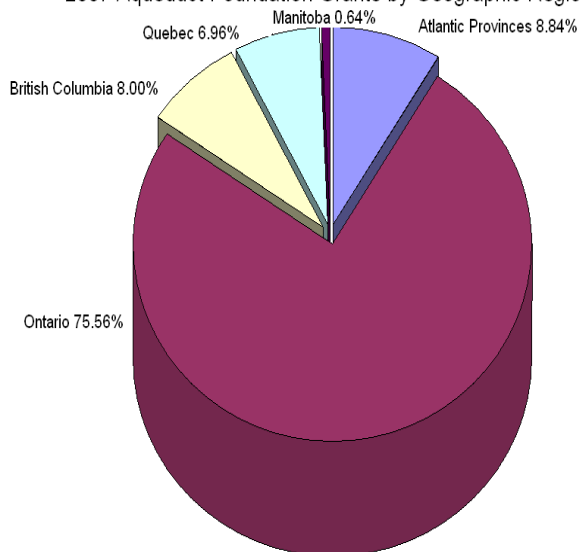
Grants

Unlike foundations that deal exclusively in perpetual endowments, Aqueduct Foundation is dedicated to ensuring the flow of funds into the charitable sector guided by advice provided by donors. With the greater need in the charitable sector in 2008, a number of donors wished to increase support and therefore recommended grants of capital as well as income from their funds.

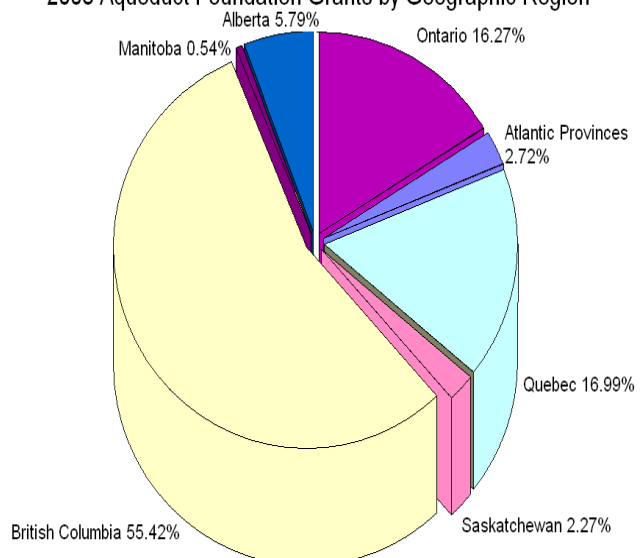
The Foundation made grants of \$18,388,882 in 2008. Of this total, \$2,156,978 were grants of income and ordinary grants, while \$16,231,904 were grants of capital to both private and public foundations.

The Foundation's national reach and diversity of granting interests reflects both its cause neutrality and the remarkable range of interests among its donors. Charities and qualified donees in eight provinces received grants.

2007 Aqueduct Foundation Grants by Geographic Region

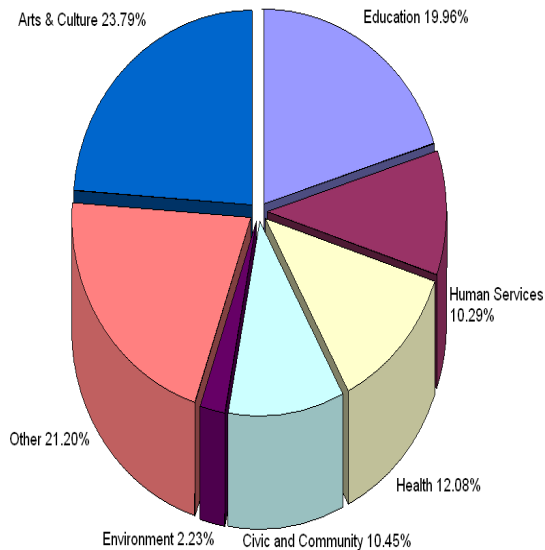


2008 Aqueduct Foundation Grants by Geographic Region

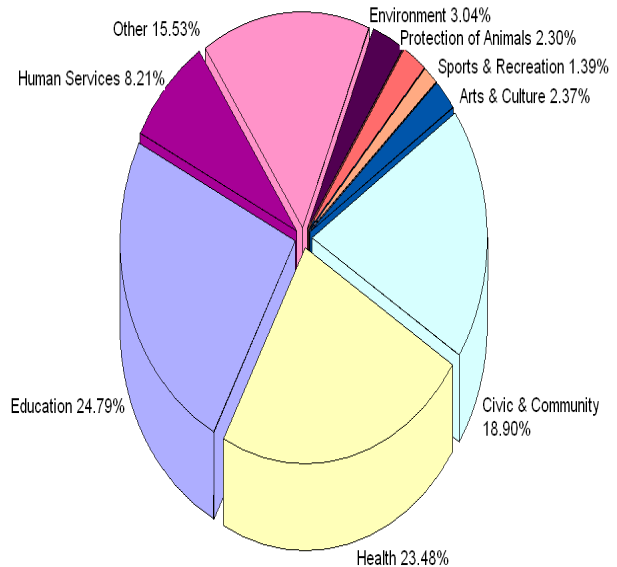


Beneficiaries represented causes such as arts and culture, religion, civic and community, health, education, sports and recreation, protection of animals, environment, human services and other charitable trusts. A number of the beneficiaries of grants of capital were private foundations.

2007 Aqueduct Foundation Ordinary Grants by Program Area



2008 Aqueduct Foundation Ordinary Grants by Program Area



Investments

The Foundation invests its funds in two streams: short-term funds are invested in conservative fixed income instruments, while advised funds are invested in a balanced portfolio managed by Scotia Cassels Investment Counsel. Advised funds totaled \$30,909,626 at year end, while short-term funds totaled \$11,654,865.

The balance of all funds held by the Foundation at December 31, 2008 was \$42,564,491 compared to \$56,472,640 in 2007. This decline was due to a combination of grants and investment losses. No short-term funds experienced any losses in the recent market downturn and there was sufficient income to make scheduled grants. The compound return for the advised funds for the year ending December 31, 2008 was -15.23% compared to the Canadian balanced fund benchmark of -12.44%. The two-year compound return was -6.14% versus the benchmark of -5.74%.

Conclusion

The past year was a challenging year for charities and foundations. Through prudent management and granting flexibility, Aqueduct Foundation has been able to meet community needs and respect donors' wishes.

*Audited financial statements are available upon request