

AQUEDUCT

FOUNDATION

2009 Annual Report

Who We Are

Aqueduct Foundation is a charitable public foundation registered with Canada Revenue Agency (BN 86608 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 services on an agency basis, Scotia Asset Management Limited provides investment services and Scotia Private Client Group represents the foundation to the public. Aqueduct's fiscal year end is December 31st.

Aqueduct receives gifts from individuals across Canada and makes grants to a wide variety of charities at the recommendation of our donors. While Aqueduct has a broad national mandate, its supporters are relatively few in number and their philanthropic commitment is great.

Our DNA

When Aqueduct Foundation was launched in 2006, we gave careful thought to what we would be and how we could contribute to our society and the world. Canada has no shortage of charities. At last count, there were just over 85,000. We wanted to be sure that Aqueduct Foundation was doing something distinctive to provide public benefit. The Foundation's DNA – its essential being – can be distilled into five points, which together comprise our special role in the charitable community.

- 1. Cause Neutral:** Charities, by definition, have causes that they advance. Aqueduct exists to support other registered charities and the larger category of qualified donees – which includes municipalities, certain international universities, and registered amateur athletic associations – but it does not have a narrow, focused purpose. We have no priority causes, no interests, and no biases. Like the water-carrying bridge that it is named after, the Foundation is a clean channel. This neutrality ensures we can support any qualified recipient at the recommendation of our donors.

- 2. Personal Philanthropy:** Charities are typically collective, communitarian entities. Aqueduct is a public foundation with an independent, arm's length board, but it facilitates a personal form of philanthropy. Our donors each have different causes and interests that they support through their donor advised funds. This personal vision of philanthropy means Aqueduct does not fundraise or solicit donations in the traditional sense. We plan gifts based on personal goals and situations. Aqueduct has no donor recognition programs, donor rolls, or published list of funds. Our donors give for personal reasons and value the privacy and flexibility that come through making individual decisions about their own giving.
- 3. Grants of Capital:** Canadian charities have traditionally been of two types: "doers" that survive on annual revenue, or foundations with endowment funds that support other charities. The charities with endowments protect investment capital, as their purpose is to address long-term needs of the community or cause. Both endowment and operating charities are important, but we saw a need for more philanthropic flexibility. We knew some donors would want the option of granting both income and capital when they saw community need. We also realized that some donors would donate large sums and require time to decide what charities to support. Aqueduct was the first national foundation in Canada to be created to function like an endowment foundation, but allow grants of both capital and income. This approach proved its worth during the recent economic downturn, when our donors were able to recommend grants of capital to meet community needs. Initially, this mandate was challenging to implement due to the limitations of the federal disbursement quota rules. We were pleased to see that the 2010 Federal Budget announced a major overhaul of these rules. In many ways the new rules validate the path Aqueduct has pioneered.
- 4. Planning Significant Gifts:** Aqueduct has never tried to be all things to all people. From the start, we seek a small number of dedicated donors who wish to give exceptional gifts. Our minimum fund amount is perhaps the highest of any Canadian charity: \$250,000. In setting the bar at this level we consciously tried to avoid competing with the many terrific charities for everyday charitable gifts. Instead we wanted to be a charity that had the systems and expertise to work with donors to implement those rare gifts of assets that involve careful planning. These gifts occur both during life and at death. In every case we aspire to work with donors and their advisors in a smart and innovative fashion to achieve philanthropic goals.
- 5. Acceptance of Complex Gifts:** Building on our focus of planning significant gifts, Aqueduct has been a specialist in facilitating complex gifts since its inception. The process of building and holding wealth is typically complex. As a result, transferring personal or corporate assets to charity in a tax-effective manner can be a challenge. Few charities have the expertise to facilitate gifts of property such as private company shares, options, testamentary trusts, flow-through shares, real estate, split interests, and life insurance. With our knowledge of the planning issues we facilitate gifts with significant value for the public benefit.

Aqueduct's DNA makes it distinct from the vast majority of Canadian charities. We believe we are filling an important niche in helping Canadians give personal and significant gifts for the public good.

Year in Review

Donations

In 2009 Aqueduct Foundation welcomed 32 new donors: 13 donors who supported advised and short-term funds and another 19 new legacy funds donors who named Aqueduct Foundation as a beneficiary of a gift through their estate. Six existing donors made additional contributions to their fund in 2009.

Aqueduct Foundation receipted \$47,482,280 in donations of cash, mutual funds, marketable securities, stock option proceeds and insurance policies in 2009, which was an increase from the \$11,523,484 in receipted donations in 2008. Since its inception in 2006 Aqueduct Foundation has received donations of \$208,162,668.

Grants

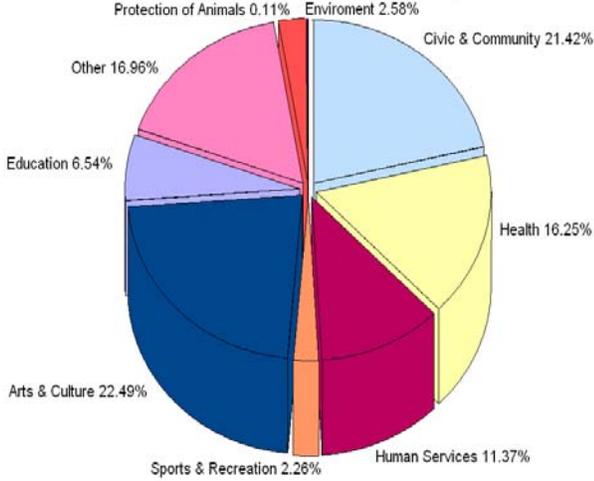
Unlike foundations that deal exclusively in perpetual endowments, Aqueduct Foundation is dedicated to ensuring the flow of funds into the charitable sector guided by advice provided by donors.

The Foundation made grants of \$15,585,701 in 2009. Of this total, \$2,234,223 was grants of income and ordinary grants, while \$13,351,478 was grants of capital to both private and public foundations. Since its inception Aqueduct Foundation has granted \$127,774,337 to Canadian charities. The following chart summarizes grants made from Aqueduct Foundation since inception.

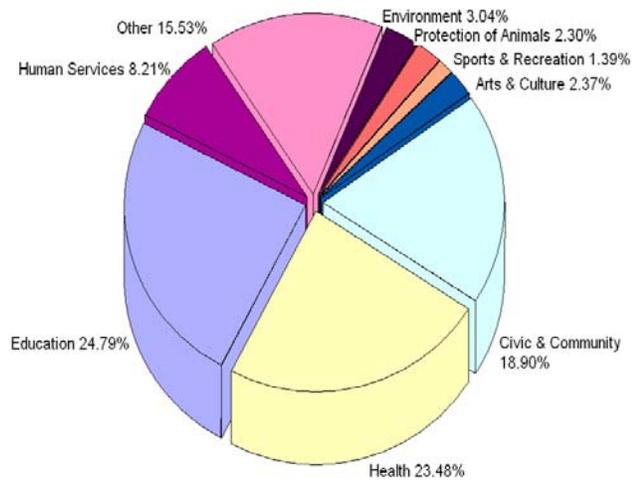
	Ordinary/Income Grants	Enduring Property/Grants of Capital
2006	\$319,192	\$1,972,744
2007	\$2,794,181	\$88,713,637
2008	\$2,156,978	\$16,231,904
2009	\$2,234,223	\$13,351,478
Total	\$7,504,574	\$120,269,763

Grant 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.

2009 Aqeduct Foundation Grants by Program Area

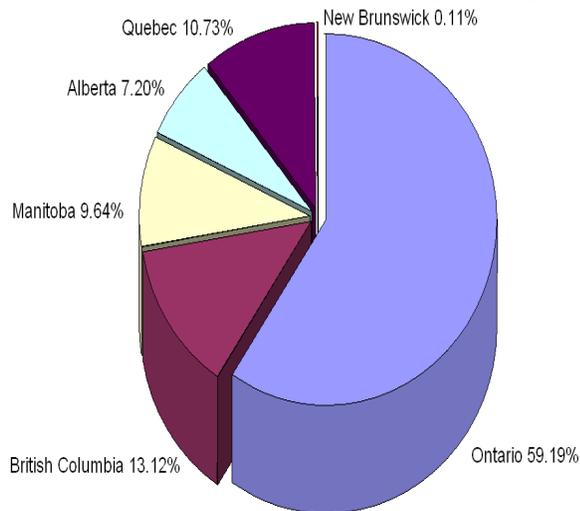


2008 Aqeduct Foundation Ordinary Grants by Program Area

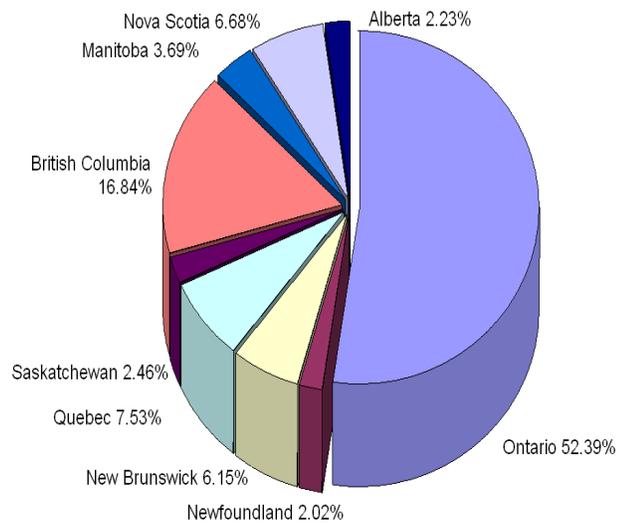


The Foundation's national reach and diversity of granting reflects both its cause neutrality and the remarkable range of interest among its donors. Charities and qualified donees in six different provinces received grants in 2009.

2009 Aqeduct Foundation Grants by Geographic Region



2008 Aqeduct Foundation Grants by Geographic Region



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 Asset Management. Assets under administration at the end of December 2009 were \$82,523,302.

The global economy underwent significant upheaval in 2008. In staying with its long term balanced investment approach the Foundation had a successful year investment wise. Aqueduct Foundation's advised funds investment portfolio performance for the year ending December 31st, 2009 was 17.54% against a benchmark of 13.19%. The three year cumulative returns were 1.20% against the benchmark of 0.18%.

Legacy Funds at Aqueduct Foundation

The fastest growing group of donors to Aqueduct is those who establish legacy funds to receive a future gift by will, trust, registered funds or life insurance. In 2009, our 19 new legacy funds represented an estimated value of \$23,435,000.

Legacy funds are established for no cost using a fund deed that provides a detailed personal record of the donor's wishes. Many funds contain a mechanism to enable the involvement of future generations of family through the successor advisor mechanism. The Foundation encourages legacy donors to complete biography and vision statements to ensure there is a record of their life and wishes for future generations.

Most of our donors set up legacy funds with the intent of leaving them unfunded until after their own deaths. However, as Aqueduct matures more and more donors are beginning to donate to their legacy funds during life. The feedback we are getting is that the legacy fund is a useful structure for philanthropy and tax planning. They provide clarity and confidence, which helps inspire greater, more satisfying giving. Conversely, some advised fund donors have revised their estate plan to designate their funds to Aqueduct.

Conclusion

Aqueduct Foundation experience in 2009 shows that philanthropic confidence is returning after the shock of global recession. We were proud to be able to facilitate so much new giving and increase the flow of grants to other registered charities.

*Audited financial statements are available upon request