

AQUEDUCT

FOUNDATION

2010 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.

Aqueduct Foundation's DNA

From inception in 2006, Aqueduct Foundation has focused on providing philanthropic individuals with a way to support their favorite causes. Our focus is to use donor advised funds to facilitate personally significant gifts that are well integrated into donors' financial and estate plans.

Aqueduct has five attributes that we believe distinguish us within the Canadian charitable sector. We call these attributes our DNA.

- 1. Aqueduct Foundation is Cause Neutral:** We have no 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. Aqueduct Foundation enables Personal Philanthropy:** Aqueduct is a public foundation with an independent, arm's length board that facilitates a personal form of philanthropy. Personal philanthropy has two aspects. First, donors guide the granting decisions of their donor advised funds through recommendations. Second, personal philanthropy is about individual values and choices executed in a private environment, without social pressure.

That's why Aqueduct has no donor recognition programs, donor lists, or published lists of funds.

- 3. Aqueduct Foundation makes Grants of Capital:** Aqueduct was Canada's first national foundation with long-term funds to provide the freedom to grant the capital of a fund, as well as the income. This approach enables our donor to have tremendous flexibility to address their charitable interests. For example, we have short-term funds that may only exist for one year, or mid-term funds that are expended over ten years, or long-term funds that make occasional special grants from capital for pressing charitable needs.
- 4. Aqueduct Foundation focuses on Planning Significant Gifts:** Aqueduct's focus is on helping philanthropic individuals plan personally significant gifts to charity. Our donor advised funds have a minimum fund amount of \$250,000, which signals our intent to plan significant gifts, not to compete with community charities for everyday donations. We understand estate planning. We understand the need for flexibility and privacy. We understand the need to work with other professional advisors.
- 5. Aqueduct Foundation facilitates Complex Gifts:** The process of building and holding wealth is complex. Transferring personal or corporate assets to charity in a tax-effective manner can be a challenge. Few charities have the expertise to facilitate gifts that are integrated into the financial, corporate and estate planning process. This limits the ability to donate property such as private company shares, options, testamentary trusts, real estate, split interests, and life insurance. With our knowledge of planning issues we facilitate gifts with significant value for the public benefit.

Aqueduct's DNA enables us to help Canadians who wish to give personal and significant gifts for the public good.

Year in Review

Donations

In 2010, Aqueduct Foundation established 23 new donor advised funds and was notified that 27 donors named Aqueduct Foundation as a beneficiary of a gift through their estate. Many existing donors made additional contributions to their funds in 2010. Sadly three of Aqueduct Foundation's donors passed away, funding legacy plans that had been put in place several years earlier through their wills or charitable remainder trusts.

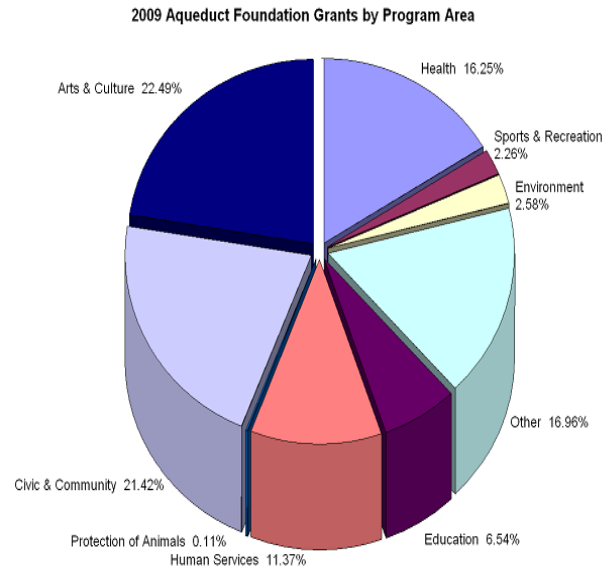
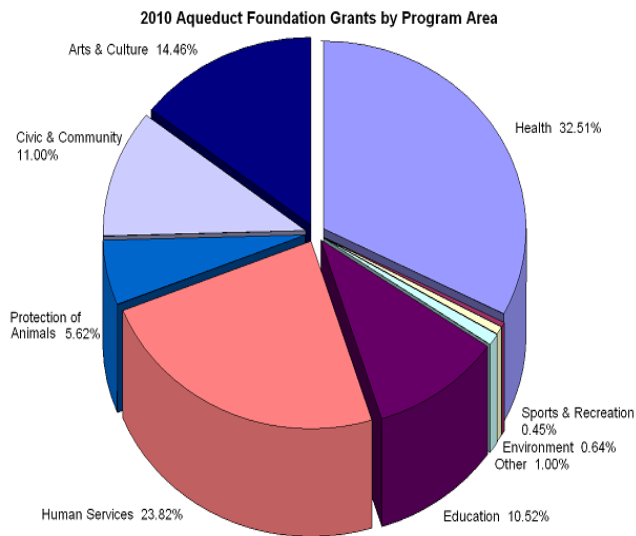
In 2010 Aqueduct Foundation received \$15,950,315 in donations of cash, mutual funds, marketable securities, and stock option proceeds. Since its inception in 2006 Aqueduct Foundation has received donations of \$224,112,983.

Grants

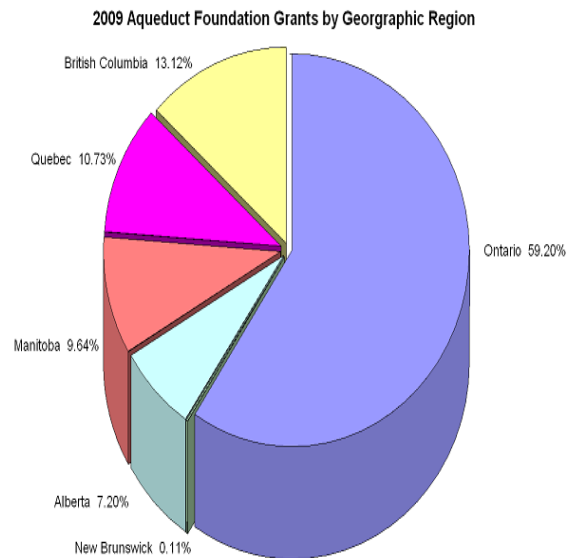
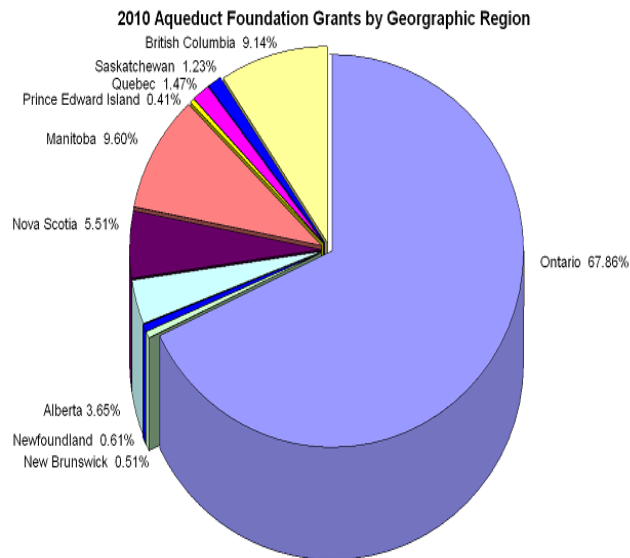
In 2010 the Foundation made grants of \$40,325,025 to Canadian registered charities including both Private and Public Foundations. Since its inception Aqueduct Foundation has granted \$168,099,362 to Canadian charities. The following chart summarizes grants made from Aqueduct Foundation since inception.

	Grants
2006	\$2,291,936
2007	\$91,507,818
2008	\$18,388,882
2009	\$15,585,701
2010	\$40,325,025
Total	\$168,099,362

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.



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 ten different provinces received grants in 2010.



2010: The Year of Legacy Funds

From the start we knew that “legacy funds” would be a significant part of Aqueduct’s make-up. A legacy fund is one of the three types of donor advised funds available through Aqueduct. It is established immediately by fund deed and will receive funding through a gift by will, life insurance, registered retirement funds or some other future gift. Since most significant gifts come from assets or life savings, it is understandable that the transfer is not made until after death.

Making a future gift requires a combination of planning and trust hence it has taken a few years for the volume of legacy funds to build. In 2010, our fourth year of operation, we reached an important milestone with the number and value of legacy funds. In 2010, donors established 27 legacy funds worth an estimated \$40,039,000, which brought the total number of legacy funds since inception to 78 worth \$120,435,000. This year was also the first year that donors died and legacy funds were activated. These funds represent a deep expression of confidence in Aqueduct Foundation.

While we do not share information about our donors publicly, it is worthwhile mentioning some of the plans that donors are putting in place to create their philanthropic legacy through Aqueduct. Here are three examples:

1. **Legacy Fund with long-term mandate.** Our most common plan is to establish a legacy fund that will support one or more registered charities on an annual basis using income from the investments. Charities are named in the fund deed, but they can be changed at any time during the life of the donor without cost. We have had a number of donors change their beneficiaries more than once already. Each one has commented on how much they appreciate the flexibility and simplicity of this option. Rather than changing their will, they only need to revise their fund deed with Aqueduct. On a related note, we have also found more donors who are interested in naming “causes” rather than charities. For example, one donor was interested in community environmental charities in her area, but knew they were all small and that there would likely be more in the future. Rather than name individual charities she has named a cause and the types of activities she would like to support.
2. **Legacy Fund being started with current gifts.** In 2010, we had a number of donors with legacy funds make current gifts to start their funds. In each case the reason was two-fold: the donor wanted to begin giving during his/her lifetime and had appreciated stock to donate in order to reduce tax. Having the legacy fund in place made it easier to make the gift when the tax liability emerged. One donor told us: “It had always been a dream of mine to have my own foundation. After I established the legacy fund, even though it was unfunded it helped me clarify my goals and gave me confidence. With this clarity making a current gift to my own foundation was easy.”
3. **Legacy Fund funded with life insurance.** Life insurance can be a great way to make a future gift. If the charity is both owner and beneficiary of the policy, each premium payment is eligible for the tax receipt. The disadvantage of this structure is that once the charity is named owner of the policy, the donor is unable to change the beneficiary designation. So, if the donor decides he wants to change his mind about who will receive his gift, he is not able to do so. A number of donors and their advisors have established legacy funds in Aqueduct that are to be funded with life insurance policies owned by Aqueduct. Why do it this way? A legacy fund enables the ultimate beneficiary to be changed, even though Aqueduct will remain the owner. In some situations, donors want their legacy funds to make grants of the death benefit of their insurance policy to chosen charities, while in others they wish to maintain an ongoing fund that their children may advise.

Some of our legacy donors include a “biography and vision” as part of their fund deed. This document is a personal statement about the donor or family and what matters to them most. It supplements the legal language in the fund deed and provides Aqueduct with a record of their wishes and story that will survive into the future.

It is gratifying to be able to assist donors to fulfill their philanthropic dreams through the legacy fund structure. We are constantly working with donors to refine their funds and their legacy. If you are a donor with a legacy fund, please do not hesitate to contact us if you have questions about your fund or your options.

*Audited financial statements are available upon request