

Taking IT Global Youth Association
(incorporated under the laws of Ontario)

Financial Statements
November 30, 2008

April 24, 2009

Auditors' Report

To the Members of Taking IT Global Youth Association

We have audited the statement of financial position of **Taking IT Global Youth Association** as at November 30, 2008 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at November 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Taking IT Global Youth Association

Statement of Financial Position

As at November 30, 2008

| | 2008 \$ | 2007 \$ |
|--|------------|------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 222,586 | 157,624 |
| Guaranteed investment certificate | - | 234,145 |
| Grants receivable | 60,450 | 145,075 |
| Other accounts receivable | 220,159 | 157,678 |
| Work-in-progress | 42,353 | - |
| Prepaid expenses and sundry assets | 8,879 | 10,914 |
| | <hr/> | <hr/> |
| | 554,427 | 705,436 |
| Property, equipment and software (note 3) | <hr/> | <hr/> |
| | 135,044 | 186,159 |
| | <hr/> | <hr/> |
| | 689,471 | 891,595 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 121,930 | 84,920 |
| Deferred revenues (note 4) | 59,549 | 252,016 |
| | <hr/> | <hr/> |
| | 181,479 | 336,936 |
| Deferred capital contributions (note 5) | <hr/> | <hr/> |
| | 79,935 | 131,917 |
| | <hr/> | <hr/> |
| | 261,414 | 468,853 |
| Net Assets | | |
| Unrestricted net assets | 372,895 | 368,448 |
| Net assets invested in capital assets | <hr/> | <hr/> |
| | 55,162 | 54,294 |
| | <hr/> | <hr/> |
| | 428,057 | 422,742 |
| | <hr/> | <hr/> |
| | 689,471 | 891,595 |

Commitments (note 9)

Approved by the Board of Directors

_____ Director

_____ Director

Taking IT Global Youth Association

Statement of Revenues and Expenses

For the year ended November 30, 2008

| | 2008 \$ | 2007 \$ |
|--|------------|------------|
| Revenues | | |
| Grants (note 6) | 1,229,750 | 851,711 |
| Community and technology support services | 261,037 | 353,872 |
| Unrestricted contributions | 132,242 | 98,710 |
| | <hr/> | <hr/> |
| Revenues excluding in-kind contributions and amortization of capital contributions | 1,623,029 | 1,304,293 |
| In-kind contributions (note 7) | 372,644 | 144,350 |
| Amortization of deferred capital contributions | 51,982 | 122,825 |
| | <hr/> | <hr/> |
| | 2,047,655 | 1,571,468 |
| Expenses | | |
| Salaries, benefits and internships | 965,360 | 689,742 |
| Advertising and promotion | 412,547 | 144,245 |
| Travel | 320,064 | 145,312 |
| Project support services | 134,791 | 128,494 |
| Amortization of property, equipment and software | 79,221 | 176,437 |
| Office rent | 54,082 | 46,254 |
| Communications | 42,898 | 41,676 |
| Office and general | 42,276 | 50,365 |
| Professional fees | 35,952 | 17,367 |
| Bookkeeping | 13,778 | 15,834 |
| Insurance | 9,590 | 14,500 |
| Bad debts | 5,457 | 22,675 |
| Memberships and dues | 5,235 | 5,091 |
| Technology support | 956 | 6,445 |
| Foreign exchange (gain) loss | (79,867) | 29,012 |
| | <hr/> | <hr/> |
| | 2,042,340 | 1,533,449 |
| | <hr/> | <hr/> |
| Excess of revenues over expenses for the year | 5,315 | 38,019 |

Taking IT Global Youth Association

Statement of Changes in Net Assets

For the year ended November 30, 2008

| | | | <u>2008</u> | <u>2007</u> |
|---|---|---|---------------------|---------------------|
| | Unrestricted net assets \$ | Net assets invested in capital assets \$ | Total \$ | Total \$ |
| Net assets - Beginning of year | 368,448 | 54,294 | 422,742 | 384,723 |
| Excess of revenues over expenses for the year | 5,315 | - | 5,315 | 38,019 |
| Investment in capital assets using unrestricted funds | (28,107) | 28,107 | - | - |
| Amortization of property, equipment and software | 79,221 | (79,221) | - | - |
| Amortization of deferred capital contributions | (51,982) | 51,982 | - | - |
| Net assets - End of year | <u>372,895</u> | <u>55,162</u> | <u>428,057</u> | <u>422,742</u> |

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Statement of Cash Flows

For the year ended November 30, 2008

| | 2008 \$ | 2007 \$ |
|--|------------|------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of revenues over expenditures for the year | 5,315 | 38,019 |
| Items not affecting cash | | |
| Amortization of property, equipment and software | 79,221 | 176,437 |
| Amortization of deferred capital contributions | (51,982) | (122,825) |
| Realization of deferred grant revenue | (192,467) | (13,331) |
| | <hr/> | <hr/> |
| | (159,913) | 78,300 |
| Changes in non-cash working capital items | | |
| Accounts receivable | 22,144 | (38,051) |
| Other current assets | (40,318) | 20,305 |
| Accounts payable and accrued liabilities | 37,010 | (7,909) |
| | <hr/> | <hr/> |
| | (141,077) | 52,645 |
| Investing activities | | |
| Purchase of property, equipment and software | (28,106) | (22,808) |
| Sale (purchase) of guaranteed investment certificate | 234,145 | (51,393) |
| | <hr/> | <hr/> |
| | 206,039 | (74,201) |
| Change in cash and cash equivalents during the year | 64,962 | (21,556) |
| Cash and cash equivalents - Beginning of year | <hr/> | <hr/> |
| | 157,624 | 179,180 |
| Cash and cash equivalents - End of year | <hr/> | <hr/> |
| | 222,586 | 157,624 |

Taking IT Global Youth Association

Notes to Financial Statements

November 30, 2008

1 Operations, objectives, incorporation and change in status

Taking IT Global Youth Association (the Association) seeks to bring together youth within international networks to collaborate on projects addressing global problems and creating positive change, through the use of technology.

The Association was incorporated without share capital under the laws of Ontario on September 15, 2000. Until June 25, 2006, the Association operated as a non-profit organization under paragraph 149(1)(l) of the Income Tax Act (Canada) (the Act). Effective June 26, 2006, the Association became a registered charity under paragraph 149(1)(f) of the Act, and was designated as a charitable organization.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, and reflect the following significant accounting policies.

Basis of accounting

Revenues and expenses are recorded using the accrual basis of accounting.

Cash

Cash consists of cash on hand and bank balances.

Property, equipment and software

Computer equipment and software acquired for cash are recorded at paid-out cost. Computer equipment and software acquired through contributions in-kind are recorded at their fair value as at the date of acquisition. Amortization is provided for using the following annual rates and methods:

| | |
|------------------------|-----------------------|
| Computer equipment | 30% declining balance |
| Computer software | 50% declining balance |
| Furniture and fixtures | 20% declining balance |

In the current year, management reassessed the useful economic life of website costs, which are included with software. Going forward, website development costs will be expensed as incurred.

Revenue recognition

Revenues pertaining to restricted purpose grants are accounted for using the deferral method, whereby contributions received are treated at inception as a liability of the Association. Thereafter, revenues on such grants are recognized as the related costs incurred in equivalent amounts. Unearned grant revenues reported in the statement of financial position are classified as a current liability, and represent the aggregate of restricted purpose grants received over the aggregate of expenses attributable to such grants since their inception.

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The excess of funds spent to date on a specific, sponsored project over funds received for that particular project is capitalized as work-in-progress to the extent these amounts will be receivable from the funders.

Contributions in-kind of assets or services related to capital assets (property, equipment and software) are treated as deferred capital contributions (note 5). These deferred capital contributions are amortized in the statement of changes in net assets in an amount equivalent to the amortization provided for the contributed capital assets in-kind.

Contributions in-kind of other (non-capital) assets and services are attributed to unrestricted net assets, are recognized in the statement of revenues and expenses upon receipt and are based on the fair value of the services and assets received.

The Association earns revenues through leveraging technology developed for its charitable programs and licensing and/or implementing this technology for other organizations. Provided collection thereof is reasonably assured, revenues therefrom are recognized as follows:

- Revenues from long-term online community management and technology development projects are recognized using the percentage-of-completion method and billed to customers at the completion of milestones as defined in development agreements and statements of work signed by both parties prior to the commencement of work. Revenues from the licensing of proprietary platforms and technologies are included with such development agreements and recognized as earned in accordance with the terms and conditions of the agreements.
- All other revenues (generally for short-term projects) are recognized when services are completed and the invoices for services are rendered.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars using the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars using the rate of exchange in effect at the transaction date. Revenues and expenses are translated at the average rates of exchange prevailing during the period. Gains and losses resulting from the translation of assets and liabilities are reflected in operations for the year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities (if any) at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which such adjustments become known.

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Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as discussed below.

Guaranteed investment certificates are classified as held-for-trading and are recorded at fair value with the change in the fair value recorded in revenues. Transaction costs related to guaranteed investment certificates classified as held-for-trading are expensed as incurred.

The Association's other financial instruments, including cash, grants receivable, other accounts receivable (which are classified as loans and receivables), accounts payable, accrued liabilities and deferred revenues (which are classified as other liabilities) are recorded at fair value.

New accounting pronouncements

- Capital disclosures

Effective December 1, 2007, the Association adopted The Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, Capital Disclosures. This standard requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This standard impacts the Association's disclosures (note 12), but does not affect its results or financial position.

- Financial Instruments - Disclosures and Presentation

On October 2, 2008, the Accounting Standards Board (AcSB) announced that the application of the following standards was optional for not-for-profit organizations: Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation. These standards enhance the disclosure and presentation of financial instruments. However, the Association has chosen not to adopt these standards as management does not believe that the additional disclosures would provide additional useful information to the users of the financial statements.

Future accounting changes

The CICA has issued the following new Handbook section, which will become effective in future periods for the Association:

- financial statement presentation by not-for-profit organizations.

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The AcSB has approved amendments to several of the standards dealing with not-for-profit organizations in the 4400 series of the Handbook sections. These amendments include:

- reporting certain revenues gross in the statement of revenues and expenses;
- when a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from each of these two functions to other functions will be required;
- the elimination of the requirement to treat invested in capital assets as a separate component of net assets; and
- the requirement to assess capital assets periodically for impairment.

The changes are effective for years beginning on or after January 1, 2009, with earlier adoption permitted, specifically December 1, 2009 for the Association. These changes will impact the Association's disclosures and financial statement presentation but will not affect the Association's results or financial position.

3 Property, equipment and software

| | 2008 | | |
|--------------------------|---------------|-------------------------------------|-------------------------|
| | Cost | Accumulated amortization | Net |
| | \$ | \$ | \$ |
| Computers and technology | 480,745 | 387,907 | 92,838 |
| Equipment | 11,125 | 8,194 | 2,931 |
| Furniture and fixtures | 12,866 | 6,824 | 6,042 |
| Software | 458,110 | 424,877 | 33,233 |
| | <hr/> 962,846 | <hr/> 827,802 | <hr/> 135,044 |
| | | | <hr/> 2007 <hr/> |
| | Cost | Accumulated amortization | Net |
| | \$ | \$ | \$ |
| Computers and technology | 455,545 | 352,057 | 103,488 |
| Equipment | 9,219 | 7,345 | 1,874 |
| Furniture and fixtures | 11,866 | 5,439 | 6,427 |
| Software | 458,110 | 383,740 | 74,370 |
| | <hr/> 934,740 | <hr/> 748,581 | <hr/> 186,159 |

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4 Deferred revenues

| | 2008 \$ | 2007 \$ |
|---|--------------|---------------|
| The J. W. McConnell Family Foundation (Project: Creating Local Connections in Canada) | 23,318 | 163,662 |
| Trillium Foundation (Project: Creating Local Connections in Ontario) | 20,250 | - |
| Microsoft Corporation (Project: TakingITGlobal for Educators) | - | 77,902 |
| Walter & Duncan Gordon Foundation (Project: Climate Change: Youth Taking Action) | 14,113 | 10,452 |
| Library of Alexandria (Project: Youth for Change) | 1,868 | - |
| | <hr/> 59,549 | <hr/> 252,016 |

5 Deferred capital contributions

| | 2008 \$ | 2007 \$ |
|--|----------------|-----------------|
| Balance - Beginning of year | 131,917 | 96,914 |
| Contributions in-kind | - | 157,828 |
| Amortization of capital contributions allocated to net assets invested in capital assets | <hr/> (51,982) | <hr/> (122,825) |
| Balance - End of year | <hr/> 79,935 | <hr/> 131,917 |

6 Grants

| | 2008 \$ | 2007 \$ |
|--|---------------|---------------|
| Corporations | | |
| Microsoft Corporation | 77,901 | 180,187 |
| Adobe Foundation | - | 51,270 |
| RBC Financial Group | <hr/> - | <hr/> 16,800 |
| | <hr/> 77,901 | <hr/> 248,257 |
| Governments and related organizations | | |
| Canadian International Development Agency | 399,270 | 44,599 |
| International Development Research Centre (Canada) | 21,930 | 34,474 |
| Indian and Northern Affairs | 3,150 | - |
| Human Resources Development Canada | <hr/> - | <hr/> 11,520 |
| | <hr/> 424,350 | <hr/> 90,593 |

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| | 2008 \$ | 2007 \$ |
|--|------------|------------|
| Others | | |
| The J. W. McConnell Family Foundation | 280,344 | 222,140 |
| McArthur Foundation | 88,131 | - |
| Open Society Institute of West Africa | 69,795 | 135,690 |
| Pearson Foundation | 59,352 | - |
| Walter & Duncan Gordon Foundation | 57,639 | 20,472 |
| Ontario Trillium Foundation | 44,250 | 40,000 |
| Advocates for Youth | 40,054 | - |
| United Nations Children's Fund (UNICEF) | 21,735 | 14,000 |
| Library of Alexandria | 20,778 | - |
| Boys & Girls Clubs of Canada | 20,000 | 10,000 |
| Apathy is Boring | 12,500 | - |
| Organization for Economic Co-operation and Development | 6,000 | - |
| University of Ottawa | 3,360 | - |
| W. H. Day School | 3,061 | 6,403 |
| George Brown College | 500 | - |
| Longview Foundation | - | 25,397 |
| University of Toronto | - | 17,488 |
| Youth Force | - | 12,271 |
| Plan Institute for Caring Citizenship | - | 9,000 |
| | <hr/> | <hr/> |
| | 727,499 | 512,861 |
| | <hr/> | <hr/> |
| | 1,229,750 | 851,711 |
| | <hr/> | <hr/> |

7 In-kind contributions

In-kind contributions were applied to the following operating expenses:

| | 2008 \$ | 2007 \$ |
|---------------------|------------|------------|
| On-line advertising | 352,592 | 102,457 |
| Internships | - | 38,893 |
| Professional fees | 20,052 | 3,000 |
| | <hr/> | <hr/> |
| | 372,644 | 144,350 |
| | <hr/> | <hr/> |

8 Income taxes

The Association is a registered charity under paragraph 149(1)(f) of the Income Tax Act (Canada) and, accordingly, is exempt from income taxes provided requirements of the Income Tax Act are met.

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9 Commitments

The Association is party to a long-term lease for office space. The lease for office space provides for payment of utilities, property taxes and maintenance costs. The lease term ends on July 31, 2010.

As at November 30, 2008, the aggregate minimum annual lease payments, inclusive of utilities, property taxes and maintenance for the office space, are as follows:

| | \$ |
|------|---------------|
| 2009 | 49,930 |
| 2010 | <u>37,976</u> |
| | <u>87,906</u> |

10 Financial instruments

The main risks to which the Association's financial instruments are exposed are credit risk, interest rate risk and foreign exchange risk. It is management's opinion that the Association is not exposed to significant market risk and cash flow risk.

Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations.

- Grants receivable

As at November 30, 2008, the Association has grants receivable from three donors, two private foundations, and one from a government agency (2007 - one from a private foundation and one from a government agency). The Association's management believes there is no exposure to credit risk related to these donors. If necessary, an allowance for doubtful accounts would be established based on factors surrounding the credit risk of specific donors, historical trends and other information. As at November 30, 2008 and 2007, the allowance for doubtful accounts for grants receivable was \$nil.

- Other accounts receivable

A portion of other accounts receivable is due from two organizations, both of which are not-for-profit organizations. As at November 30, 2008, these organizations represent 42% (2007 - 58%) of total other accounts receivable. The Association's management believes there is no exposure to credit risk related to these debtors.

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The Association reviews debtors' credit history before extending credit and conducts regular reviews of its existing debtors' credit performance. An allowance for doubtful accounts is established based on factors surrounding the credit risk of specific debtors, historical trends and other information. As at November 30, 2008, the allowance for doubtful accounts for accounts receivable - trade was \$25,557 (2007 - \$20,101).

Interest rate risk

The majority of the Association's cash is kept at financial institutions where the interest income earned is not significant. As such, the risk resulting from fluctuations in interest rates is low.

Foreign exchange risk

International operations subject the Association to risk from foreign currency exchange rate changes that can impact translation of foreign denominated assets and liabilities into Canadian dollars and future earnings and cash flow from transactions denominated in different currencies. The Association does not presently engage in any hedging activities to compensate for the effect of currency exchange rate fluctuations.

11 Global Youth Action Network

The Association has sole control over Global Youth Action Network (GYAN). GYAN is a youth led 501(c)(3) not-for-profit organization launched in 1999 and registered in New York, USA. GYAN works to unite the efforts of young people working to improve the world.

During the fiscal year ended November 30, 2008, GYAN has the following draft financial position and results of operations:

| | 2008 \$ | 2007 \$ |
|-------------------|------------|------------|
| Assets | 88,417 | 86,932 |
| Liabilities | 2,489 | 25,862 |
| Revenues | 474,829 | 291,431 |
| Expenses | 470,384 | 323,655 |
| Net income (loss) | 4,445 | (32,224) |

As at November 30, 2008, accounts receivable and accounts payable to GYAN is \$nil. During the year, \$10,040 of expenses were paid to GYAN.

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12 Capital management

The Association defines its capital as its unrestricted net assets and net assets invested in capital assets. The Association's objective when managing its capital is to ensure adequate operating funds are available to maintain its activities. The Association's capital is not restricted, except to the extent that some contributions are restricted in purpose as described in note 2. The Association has been in compliance with its funding agreements throughout the year.

13 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.