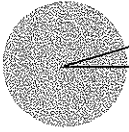


VERSATECH CHARITABLE FOUNDATION INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010



June 24, 2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Versatech Charitable Foundation Inc.

We have audited the accompanying financial statements of Versatech Charitable Foundation Inc., which comprise the statement of financial position as at December 31, 2010, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Versatech Charitable Foundation Inc. as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants


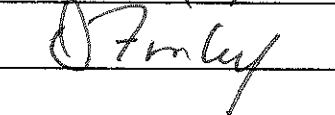
VERSATECH CHARITABLE FOUNDATION INC.

Statement of Financial Position

December 31, 2010

	2010	2009
ASSETS		
CURRENT		
Cash	\$ 71,146	\$ 48,814
Short-term investments and interest receivable (Note 3)	67,306	80,079
Other receivable	1,186	909
	<u>139,638</u>	<u>129,802</u>
FUNDS HELD IN PERPETUITY (Notes 3 and 4)	58,459	58,459
PROPERTY, PLANT AND EQUIPMENT (Note 5)	13,286	13,838
	<u>\$ 211,383</u>	<u>\$ 202,099</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 4,920	\$ 3,680
NET ASSETS		
Restricted net assets	71,745	72,297
Unrestricted net assets	124,861	124,523
Accumulated other comprehensive income	9,857	1,599
	<u>206,463</u>	<u>198,419</u>
	<u>\$ 211,383</u>	<u>\$ 202,099</u>

APPROVED BY THE BOARD


 _____ Director

 _____ Director

VERSATECH CHARITABLE FOUNDATION INC.

Statement of Revenue and Expenses

Year Ended December 31, 2010

	2010	2009
REVENUE		
Donations and pledges	\$ 4,763	\$ 12,919
Interest	<u>3,540</u>	<u>4,685</u>
	8,303	17,604
EXPENSES		
Accounting services	4,920	4,920
Depreciation	552	552
Interest and bank charges	80	84
Professional fees	<u>2,965</u>	<u>3,255</u>
	8,517	8,811
EXCESS OF REVENUE OVER EXPENSES	\$ (214)	\$ 8,793

VERSATECH CHARITABLE FOUNDATION INC.

Statement of Changes in Net Assets and Accumulated Other Comprehensive Income

Year Ended December 31, 2010

	2010	2009
NET ASSETS - BEGINNING OF YEAR	\$ 196,820	\$ 188,027
EXCESS OF REVENUE OVER EXPENSES	<u>(214)</u>	<u>8,793</u>
NET ASSETS - END OF YEAR	<u>\$ 196,606</u>	<u>\$ 196,820</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME - BEGINNING OF YEAR	\$ 1,599	\$ (15,075)
UNREALIZED GAIN (LOSS) ON INVESTMENTS	<u>8,258</u>	<u>16,674</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME - END OF YEAR	<u>\$ 9,857</u>	<u>\$ 1,599</u>

VERSATECH CHARITABLE FOUNDATION INC.

Statement of Cash Flow

Year Ended December 31, 2010

	2010	2009
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ (214)	\$ 8,793
Items not affecting cash-		
Unrealized gain on investments	8,258	16,674
Depreciation	552	552
	<u>8,596</u>	<u>26,019</u>
Net change in non-cash operating assets and liabilities-		
Short-term investments and interest receivable	12,773	15,356
Other receivable	(277)	(294)
Accounts payable and accrued liabilities	<u>1,240</u>	<u>1,840</u>
Cash flow from (used by) operating activities	<u>13,736</u>	<u>16,902</u>
INCREASE IN CASH	22,332	42,921
CASH - BEGINNING OF YEAR	<u>48,814</u>	<u>5,893</u>
CASH - END OF YEAR	<u>\$ 71,146</u>	<u>\$ 48,814</u>

VERSATECH CHARITABLE FOUNDATION INC.

Notes To Financial Statements

Year Ended December 31, 2010

1. ORGANIZATION

Versatech Charitable Foundation Inc. (the "Foundation") is a registered charity and is classified as a public foundation for purposes of the Income Tax Act (Canada). The Foundation was incorporated on December 29, 1987 to raise funds to gift to qualified donees, which provide services to persons with intellectual disabilities. The Foundation commenced operations in January 1988.

2. SIGNIFICANT ACCOUNTING POLICIES

Short-term investments

Short-term investments are classified as available for sale because the Foundation may redeem them prior to maturity to meet cash flow requirements. Unrealized gains and losses are shown on the Statement of Changes in Net Assets and Accumulated Other Comprehensive Income until the investment is redeemed.

Property, plant and equipment

The building is recorded at cost and depreciated on a straight-line basis over 20 years.

Recognition of revenue

Pledges are recognized as revenue when the donor pledge cards are received. An allowance for uncollectible pledges, as determined by management, is applied against revenue.

Donations are recognized as revenue in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial instruments

The carrying value of cash, interest and other amounts receivable, accounts payable, and accrued liabilities approximate their fair value due to the near-term maturity of those instruments. The fair value of short-term investments is disclosed in Note 3. The Organization adopted the provisions of CICA section 3855, Financial Instruments – Recognition and Measurement on January 1, 2007 which addresses the classification, recognition and measurement of financial instruments.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

VERSATECH CHARITABLE FOUNDATION INC.

Notes to Financial Statements

Year Ended December 31, 2010

3. SHORT-TERM INVESTMENTS AND INTEREST RECEIVABLE

Short-term investments and interest receivable are comprised of the following:

	2010		2009
	<i>(at market)</i>		<i>(at market)</i>
Short-term investments-			
Bank of Montreal Advisors Advantage, GIC, yields 4.15%, annual fixed rate, maturing 2010	\$ -	\$	21,229
RBC Canadian T-Bill Fund	65,924		65,726
Bank of Nova Scotia, Common Shares	59,841		51,583
	125,765		138,538
Less: Funds held in perpetuity	(58,459)		(58,459)
	\$ 67,306	\$	80,079

4. FUNDS HELD IN PERPETUITY

Pursuant to agreements with the donors, certain funds received as donations must be held in perpetuity for a period of not less than ten years before they can be used by the Foundation. However, the interest earned on these funds is not subject to any restrictions on its usage.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised of:

	2010		2009	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 12,455	\$ -	\$ 12,455	\$ -
Building	11,045	10,214	11,045	9,662
	\$ 23,500	\$ 10,214	\$ 23,500	\$ 9,662
Net book value	\$ 13,286		\$ 13,838	

VERSATECH CHARITABLE FOUNDATION INC.

Notes to Financial Statements

Year Ended December 31, 2010

6. RELATED PARTY TRANSACTIONS

Versatech Industries Inc. (VII) has an economic interest in the Foundation. VII provides work related training and jobs for persons with mental disabilities with capital provided by the Versatech Charitable Foundation Inc. and other sources. The Foundation holds funds in perpetuity (Note 4) of \$58,459 (2009 - \$58,459), the benefits of which will be available not less than ten years from the pledge date, for transfer to VII upon the Board's approval.

In the normal course of business, the Foundation has the following related party transactions and balances with VII:

	<u>2010</u>	<u>2009</u>
Accounting services [excluding GST of \$240 (2009 - \$240)]	\$ 4,800	\$ 4,800

The Foundation leases a building and land to VII, with a cost of \$23,500, at an annual rent of \$1. This lease expires in 2020. VII bears the operating costs in relation to the building.
