

**TB VETS CHARITABLE FOUNDATION**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2006**

## **TB VETS CHARITABLE FOUNDATION**

### **Financial Statements**

For the Year Ended 31 December 2006

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**ROLFE, BENSON**

**CHARTERED ACCOUNTANTS\***

1400-900 West Hastings Street

Vancouver, B.C. V6C 1E3

Telephone: 604-684-1101

Fax: 604-684-7937

E-mail: [admin@rolfebenson.com](mailto:admin@rolfebenson.com)

\*a partnership of incorporated professionals

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## **AUDITORS' REPORT**

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To the Members,  
TB Vets Charitable Foundation

We have audited the statement of financial position of the TB Vets Charitable Foundation as at 31 December 2006 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 as to 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 common with many charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses and fund balances.

In our opinion, except for the effect of the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at 31 December 2006 and the results of its operations and changes in fund balances and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Rolfe, Benson*

**CHARTERED ACCOUNTANTS**

Vancouver, Canada

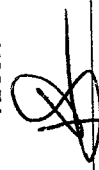
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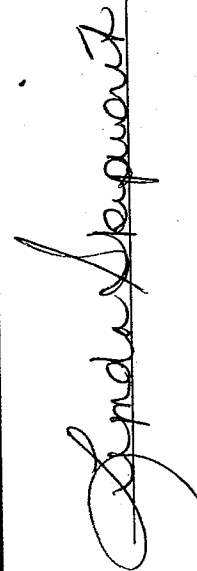
**TB VETS CHARITABLE FOUNDATION**  
Statement of Financial Position  
31 December 2006

	General Fund		Bequest Fund		Appropriated Awards Fund		Spinoza for Kids Fund		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<b>Assets</b>										
<b>Current</b>										
Cash	23,946	155,219	38,964	2,185	-	-	4,379	522	67,289	157,926
Temporary investments (Note 3)	466,830	450,128	519,403	511,246	-	-	-	-	986,233	961,374
Accounts receivable	5,365	6,758	119	22	-	-	-	3,900	5,484	10,680
Accrued interest receivable	178	756	128	6	-	-	-	-	306	762
Prepaid expenses	1,360	1,550	-	-	-	-	19,137	-	20,497	20,974
Interfund accounts receivable	-	-	-	-	510,319	541,679	-	-	510,319	541,679
	<b>497,679</b>	<b>614,411</b>	<b>558,614</b>	<b>513,459</b>	<b>510,319</b>	<b>541,679</b>	<b>23,516</b>	<b>4,422</b>	<b>1,590,128</b>	<b>1,693,395</b>
<b>Liabilities and Fund Balances</b>										
<b>Liabilities</b>										
Accounts payable and accrued liabilities	34,398	5,810	-	-	-	-	-	-	34,398	5,810
Grants and awards payable	-	-	-	-	510,319	541,679	-	-	510,319	541,679
Due to related organizations (Note 4)	395,277	43,308	-	-	-	-	-	110	395,277	43,418
Interfund accounts payable	510,319	541,679	-	-	-	-	-	-	510,319	541,679
	<b>939,994</b>	<b>590,797</b>	<b>-</b>	<b>-</b>	<b>510,319</b>	<b>541,679</b>	<b>-</b>	<b>110</b>	<b>1,450,313</b>	<b>1,132,586</b>
<b>Fund Balances</b>										
Externally restricted	-	-	-	-	-	-	23,516	23,736	23,516	23,736
Internally restricted	-	-	558,614	513,459	-	-	-	-	558,614	513,459
Unrestricted	(442,315)	23,614	558,614	513,459	-	-	23,516	23,736	(442,315)	23,614
	<b>497,679</b>	<b>614,411</b>	<b>558,614</b>	<b>513,459</b>	<b>510,319</b>	<b>541,679</b>	<b>23,516</b>	<b>23,846</b>	<b>1,590,128</b>	<b>1,693,395</b>

APPROVED BY THE DIRECTORS:



Director



Director



**ROLFE, BENSON**  
CHARTERED ACCOUNTANTS

The accompanying notes are an integral part of these financial statements.

**TB VETS CHARITABLE FOUNDATION**  
**Statement of Operations and Charges in Fund Balances**  
**For the Year Ended 31 December 2006**

	General Fund		Bequest Fund		Appropriated Awards Fund		Spinoza for Kids Fund		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>										
Donations	2,228,919	2,329,868	38,583	2,000	-	-	47	6,300	2,267,549	2,338,168
Less: Donation costs	466	460	-	-	-	-	360	8,601	826	9,061
	<u>2,228,453</u>	<u>2,329,408</u>	<u>38,583</u>	<u>2,000</u>	-	-	<u>(313)</u>	<u>(2,301)</u>	<u>2,266,723</u>	<u>2,329,107</u>
<b>Other Revenue</b>										
Investment income	40,179	32,462	23,776	12,160	-	-	93	209	64,048	44,831
	<u>2,268,632</u>	<u>2,361,870</u>	<u>62,359</u>	<u>14,160</u>	-	-	<u>(220)</u>	<u>(2,092)</u>	<u>2,330,771</u>	<u>2,373,938</u>
<b>Expenses</b>										
Professional fees	54,890	46,606	5,050	652	-	-	-	-	59,940	47,258
Advertising and promotion	96,470	166,325	-	-	-	-	-	-	96,470	166,325
Bank charges	9,766	8,721	-	-	-	-	-	-	9,766	8,721
Insurance	2,736	2,906	-	-	-	-	-	-	2,736	2,906
Office	1,314	216	-	-	-	-	-	-	1,314	216
Travel and meetings	9	72	-	-	-	-	-	-	9	72
Miscellaneous	7,428	6,923	-	-	-	-	-	2	7,428	6,925
	<u>172,613</u>	<u>231,769</u>	<u>5,050</u>	<u>652</u>	-	-	-	2	<u>177,663</u>	<u>232,423</u>
<b>Excess of revenues over expenses</b>	<u>2,096,019</u>	<u>2,130,101</u>	<u>57,309</u>	<u>13,508</u>	-	-	<u>(220)</u>	<u>(2,094)</u>	<u>2,153,108</u>	<u>2,141,515</u>
<b>Grants awarded (Note 5)</b>	-	-	12,154	11,120	2,561,948	2,517,350	-	-	2,574,102	2,528,470
<b>Excess (deficiency) of revenues over expenses and grants</b>	<u>2,096,019</u>	<u>2,130,101</u>	<u>45,155</u>	<u>2,388</u>	<u>(2,561,948)</u>	<u>(2,517,350)</u>	<u>(220)</u>	<u>(2,094)</u>	<u>(420,994)</u>	<u>(386,955)</u>
<b>Fund balances - beginning of year</b>	23,614	411,459	513,459	511,071	-	-	23,736	25,234	560,809	947,764
<b>Interfund transfers</b>	(2,561,948)	(2,517,946)	-	-	2,561,948	2,517,350	-	596	-	-
<b>Fund balances - end of year</b>	<u>(442,315)</u>	<u>23,614</u>	<u>558,614</u>	<u>513,459</u>	-	-	<u>23,516</u>	<u>23,736</u>	<u>139,815</u>	<u>560,809</u>

The accompanying notes are an integral part of these financial statements.

**TB VETS CHARITABLE FOUNDATION**  
**Statement of Cash Flows**  
For the Year Ended 31 December 2006

	2006	2005
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Excess of revenues over expenses	\$ 2,153,108	\$ 2,141,515
Changes in non-cash working capital balances		
Accounts receivable	5,196	(5,368)
Accrued interest receivable	456	2,014
Prepaid expenses	477	(6,653)
Accounts payable and accrued liabilities	28,588	675
Due to related organizations	351,859	(11,560)
	2,539,684	2,120,623
<b>Investing activities</b>		
Purchase of temporary investments	(24,859)	(961,374)
Grants paid	(2,605,462)	(2,235,399)
	(2,630,321)	(3,196,773)
<b>Net increase (decrease) in cash</b>	(90,637)	(1,076,150)
<b>Cash - beginning of year</b>	157,926	1,234,076
<b>Cash - end of year</b>	\$ 67,289	\$ 157,926
<b>Supplemental Cash Flow Information:</b>		
Interest received	\$ 64,443	\$ 46,845

The accompanying notes are an integral part of these financial statements.

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**TB VETS CHARITABLE FOUNDATION**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2006**

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**1. Organization**

TB Vets Charitable Foundation ("the Foundation") was incorporated under the Society Act of British Columbia as a registered charitable public foundation on 26 February 1997. The Foundation, as a charitable public foundation, is exempt from income tax.

The objectives of the Foundation are to fund raise to provide grants for the promotion of scientific research and knowledge of respiratory diseases, to disseminate information and foster communication concerning respiratory diseases.

The following is a brief description of the Foundation's funds and their sources of revenues:

**General Fund**

The General Fund reports donation revenue and expenses related to administration.

**Bequest Fund**

Income generated by the Bequest Fund investments is pledged, on behalf of the benefactors of the bequests, as annual grants and bursaries for certain organizations. The excess portion of the investment income earned is retained in the account.

**Appropriated Awards Fund**

The Foundation is approached by various organizations requesting grants that are in general agreement with the aims and objectives of the Foundation. The requests received are evaluated by a sub-committee of the Board of Directors who provide recommendations to the Board.

An annual allocation from the General Fund is determined by a calculation based on the Foundation's receipted donations. The Foundation is required to expend this allocation within the following year. Grants approved are paid from these allocations.

**Spinoza for the Kids Fund**

In 2001, the Foundation took over the administration of the Spinoza Bear Program from the Grizzlies Foundation. Accordingly, the Foundation established a Spinoza for Kids Fund to account for the activities of the program.

**2. Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The Foundation follows the restricted fund method of accounting for all revenues and expenses. The General fund is unrestricted and records all operational activities of the Foundation. The Appropriated Awards Fund is externally restricted under the requirements of the Foundation's charitable registration. The Bequest Fund is internally restricted.

**TB VETS CHARITABLE FOUNDATION**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2006**

**2. Summary of Significant Accounting Policies - Continued**

(b) Revenue Recognition

Restricted and unrestricted contributions are recognized as revenue of the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue of the appropriate fund when earned.

(c) Temporary Investments

Investments are stated at the lower of cost and market value on a portfolio basis. Dividend income earned is recognized on receipt of dividends. Interest income is accrued to the fiscal year end from the date last paid.

(d) Inventory

The inventory is recorded at the lower of cost and net realizable value.

(e) Financial Instruments

The Foundation's financial instruments consist of cash, temporary investments, accounts receivable, and accounts payable and accrued liabilities and amounts due to related organizations. The fair value of these financial instruments approximate their carrying values due to their short maturities, unless otherwise noted. It is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(f) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies at the date of the balance sheet. Actual results could differ from those estimates.

**3. Temporary Investments**

	2006	2005
Marketable securities	\$ 986,233	\$ 961,374

As at 31 December 2006, the market value of the temporary investments is \$1,023,846 (2005 - \$979,344).

**TB VETS CHARITABLE FOUNDATION**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2006**

**4. Due to Related Organizations**

	2006	2005
Tuberculosis and Chest Disabled Veterans' Association	\$ 85,000	\$ -
T.A.G.S. - The Ability Group Society	310,277	43,418
	\$ 395,277	\$ 43,418

These amounts are without interest or specific terms of repayment.

**5. Related Party Transactions**

The Foundation is related to the Tuberculous and Chest Disabled Veterans' Association (the "Association") and T.A.G.S. - The Ability Group Society (the "Society"), through a common Board of Directors.

During the year, the Foundation awarded grants of \$2,004,260 (2005 - \$1,951,155) to the Society.

In addition, in the normal course of operations, the Foundation entered into various transactions with the Association and the Society. The transactions were carried out at a consideration established and agreed to by the parties.