

TB VETS CHARITABLE FOUNDATION

FINANCIAL STATEMENTS

31 DECEMBER 2007

TB VETS CHARITABLE FOUNDATION

Financial Statements

For the Year Ended 31 December 2007

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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

*a partnership of incorporated professionals

AUDITORS' REPORT

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 2007 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 2007 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
3 March 2008



TB VETS CHARITABLE FOUNDATION
Statement of Financial Position
31 December 2007

	General Fund		Bequest Fund		Appropriated Awards Fund		Gaming Fund		Spinoza for Kids Fund		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Assets												
Current												
Cash	74,275	23,946	26,875	38,964	-	-	150	-	10,143	4,379	111,443	67,289
Temporary investments (Note 5)	67,478	466,830	558,632	519,403	-	-	-	-	-	-	626,110	986,233
Accounts receivable	5,990	5,365	-	119	-	-	-	-	-	-	5,990	5,484
Accrued interest receivable	203	178	81	128	-	-	-	-	-	-	284	306
Prepaid expenses	2,400	1,360	-	-	-	-	-	-	12,634	19,137	15,034	20,497
Interfund accounts receivable	200	-	273	-	358,932	510,319	-	-	-	-	359,405	510,319
	150,546	497,679	585,861	558,614	358,932	510,319	150	-	22,777	23,516	1,118,266	1,590,128
Liabilities and Fund Balances												
Liabilities												
Accounts payable and accrued liabilities	7,744	34,398	-	-	-	-	-	-	-	-	7,744	34,398
Grants and awards payable	-	-	-	-	358,932	510,319	-	-	-	-	358,932	510,319
Due to related organizations (Note 6)	513,695	395,277	-	-	-	-	-	-	-	-	513,695	395,277
Interfund accounts payable	359,205	510,319	-	-	-	-	200	-	-	-	359,405	510,319
	880,644	939,994	-	-	358,932	510,319	200	-	-	-	1,239,776	1,450,313
Fund Balances												
Externally restricted	-	-	-	-	-	-	-	-	22,777	23,516	22,777	23,516
Internally restricted	-	-	585,861	558,614	-	-	(50)	-	-	-	585,811	558,614
Unrestricted	(730,098)	(442,315)	-	-	-	-	-	-	-	-	(730,098)	(442,315)
	(730,098)	(442,315)	585,861	558,614	-	-	(50)	-	22,777	23,516	(121,510)	139,815
	150,546	497,679	585,861	558,614	358,932	510,319	150	-	22,777	23,516	1,118,266	1,590,128

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 Changes in Fund Balances
For the Year Ended 31 December 2007

	General Fund		Bequest Fund		Appropriated Awards Fund		Gaming Fund		Spinoza for Kids Fund		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues												
Donations	2,272,299	2,228,919	531	38,583	-	-	-	-	5,620	47	2,278,450	2,267,549
Less: Donation costs	417	466	-	-	-	-	-	-	6,533	360	6,950	826
	2,271,882	2,228,453	531	38,583	-	-	-	-	(913)	(313)	2,271,500	2,266,723
Other Revenue												
Investment income (Note 8)	25,860	40,179	23,064	23,776	-	-	-	-	174	93	49,098	64,048
	2,297,742	2,268,632	23,595	62,359	-	-	-	-	(739)	(220)	2,320,598	2,330,771
Expenses												
Professional fees	45,448	54,890	5,304	5,050	-	-	-	-	-	-	50,752	59,940
Advertising and promotion	150,160	96,470	-	-	-	-	-	-	-	-	150,160	96,470
Bank charges	11,908	9,766	-	-	-	50	-	-	-	-	11,958	9,766
Insurance	3,006	2,736	-	-	-	-	-	-	-	-	3,006	2,736
Office	2,571	1,314	-	-	-	-	-	-	-	-	2,571	1,314
Travel and meetings	-	9	-	-	-	-	-	-	-	-	-	9
Miscellaneous	5,471	7,428	-	-	-	-	-	-	-	-	5,471	7,428
	218,564	172,613	5,304	5,050	-	-	50	-	-	-	223,918	177,663
Excess of revenues over expenses	2,079,178	2,096,019	18,291	57,309	-	-	(50)	(739)	(739)	(220)	2,096,680	2,153,108
Grants awarded (Note 7)	-	-	14,078	12,154	2,387,470	2,561,948	-	-	-	-	2,401,548	2,574,102
Excess (deficiency) of revenues over expenses and grants	2,079,178	2,096,019	4,213	45,155	(2,387,470)	(2,561,948)	(50)	(739)	(739)	(220)	(304,868)	(420,994)
Fund balances - beginning of year	(442,315)	23,614	558,614	513,459	-	-	-	-	23,516	23,736	139,815	560,809
Adjustment for change in accounting policy (Note 2)	20,509	-	23,034	-	-	-	-	-	-	-	43,543	-
Fund balances - beginning of year restated	(421,806)	-	581,648	-	-	-	-	-	-	-	159,842	-
Grants and transfers	(2,387,470)	(2,561,948)	-	-	2,387,470	2,561,948	-	-	-	-	-	-
Fund balances - end of year	(730,098)	(442,315)	585,861	558,614	-	-	(50)	(739)	22,777	23,516	(121,510)	139,815

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 2007

	2007	2006
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses	\$ 2,096,680	\$ 2,153,108
Item not involving cash		
Adjustment to market value of investments	43,543	-
	2,140,223	2,153,108
Changes in non-cash working capital balances		
Accounts receivable	(506)	5,196
Accrued interest receivable	22	456
Prepaid expenses	5,463	477
Accounts payable and accrued liabilities	(26,654)	28,588
Due to related organizations	118,418	351,859
	2,236,966	2,539,684
Investing activities		
Proceeds from sale (purchase) of temporary investments	360,123	(24,859)
Grants paid	(2,552,935)	(2,605,462)
	(2,192,812)	(2,630,321)
Net increase (decrease) in cash	44,154	(90,637)
Cash - beginning of year	67,289	157,926
Cash - end of year	\$ 111,443	\$ 67,289
Supplemental Cash Flow Information:		
Interest received	\$ 49,027	\$ 64,443

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

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 December 2007

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. Change in Accounting Policy

On 1 January 2007, the Foundation adopted CICA Handbook Section 3855, "Financial Instruments - recognition and measurement," Section 3862, "Financial Instruments - disclosures," and Section 3863 "Financial Instruments - presentation". These standards provide recommendations on recognizing and measuring financial assets and liabilities and non-financial derivatives.

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 December 2007

2. Change in Accounting Policy - continued

The adoption by the Foundation of these new standards on financial instruments has resulted in changes in accounting for financial instruments and a number of transition adjustments were recorded in opening fund balances. The comparative financial statements were not restated. The main changes in accounting for financial instruments resulting from the adoption of these accounting standards are described below.

With the adoption of these new standards, the Foundation classified its cash, temporary investments, accounts receivable, accounts payable and accrued liabilities, grants and awards payable and due to related organizations as financial assets and liabilities held for trading. As a result, temporary investments and opening general and bequest fund balances were increased by \$20,509 and \$23,034 respectively at 1 January 2007.

3. 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.

(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 includes interest income, and realized and unrealized investment gains and losses. Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the statement of operations, deferred or reported directly in net assets, depending on the nature of any external restrictions imposed on the investment income. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Other unrestricted investment income is recognized as revenue when earned.

(c) Temporary Investments

Investments are recorded at fair value.

(d) Inventory

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

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 December 2007

3. Summary of Significant Accounting Policies - continued

(e) 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.

4. Financial Instruments

The following policies and assumptions were used to determine the fair value of each class of financial assets and financial liabilities.

- (a) Cash, accounts receivable, accounts payable and accrued liabilities, and amounts due to related organizations are classified as held for trading and are measured at their carrying amount since it is comparable to their fair value due to the approaching maturity of these financial instruments.
- (b) Temporary investments are classified as held for trading and measured at fair value, determined on the basis of market value.
- (c) 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.

5. Temporary Investments

	2007		2006	
	Cost	Market Value	Cost	Market Value
General fund	\$ 62,432	\$ 67,478	\$ 466,830	\$ 487,340
Bequest fund	538,483	558,632	519,403	542,437
	<u>\$ 600,915</u>	<u>\$ 626,110</u>	<u>\$ 986,233</u>	<u>\$ 1,029,777</u>

Temporary investments are valued at market in 2007 (2006 - cost).

6. Due to Related Organizations

	2007	2006
Tuberculosis and Chest Disabled Veterans' Association	\$ -	\$ 85,000
T.A.G.S. - The Ability Group Society	513,695	310,277
	<u>\$ 513,695</u>	<u>\$ 395,277</u>

These amounts are without interest or specific terms of repayment.

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 December 2007

7. 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 \$1,966,152 (2006 - \$2,004,260) 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.

8. Investment Income

	2007	2006
Interest income	\$ 12,414	\$ 19,364
Realized gain (loss) on sale of temporary investments	(2,836)	-
Unrealized gain (loss) on market value of temporary investments	19,913	-
Investment income	19,607	44,684
	\$ 49,098	\$ 64,048

9. Common Control

By virtue of a common Board of Directors, the Foundation, T.A.G.S. - The Ability Group Society (the Society), and Tuberculous & Chest Disabled Veteran's Association (the Association) are under common control.

The Society is incorporated under the Society Act of British Columbia and is registered as a charitable organization under the Federal Income Tax Act. The objectives of the Society are to employ people with disabilities in order to foster independence and enhance and improve their quality of life, to market the products produced by people with disabilities, to receive gifts, bequests, trusts, funds and property and invest, develop, manage, accumulate and administer funds and property for the purpose of disbursing funds to qualified donees and to conduct activities for the purpose of disbursing funds to qualified donees and to conduct activities for the achievement and furtherance of the purposes of the Society. The Society provides all management, labour, materials and manufacturing services related to the Foundation's Key Tag Campaign at no cost. Each year, the Foundation pays an operating grant to the Society (Note 7) which funds the majority of the Society's ongoing operations including the aforementioned activities.

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 December 2007

9. Common Control - continued

The Association is a non-profit organization incorporated under the Society Act of British Columbia. The objectives of the Association are to recognize and honour the achievements, contributions and wartime efforts of chest disabled ex-service personnel by providing employment for special needs persons, providing research grants for the treatment and eradication of respiratory diseases, providing assistance to Branch #44 of the Royal Canadian Legion, Pacific Command, providing educational scholarships to students involved in respirology and raise funds through the distribution of miniature secret tags. The Association holds the land and building in which the Foundation's and Society's activities are housed, and incurs all related operating costs. These costs are directly funded by an operating grant by the Society.

The Society and the Association have not been consolidated in the Foundation's financial statements. Financial statements of the Society and of the Association are available on request. Financial summaries of these entities as at 31 December 2007 and 2006 and for the years then ended are as follows.

T.A.G.S. - The Ability Group Society

	Financial Position	
	2007	2006
Total assets	\$ 968,345	\$ 794,433
Total liabilities	\$ 640,122	\$ 461,498
Total net assets	328,223	332,935
	\$ 968,345	\$ 794,433

	Results of Operations	
	2007	2006
Total revenues (a)	\$ 2,328,610	\$ 2,375,438
Total expenses and grants awarded (b)	2,333,322	2,375,438
	\$ (4,712)	\$ -

(a) Includes grants received of \$1,966,152 (2006 - \$2,004,260) from the Foundation

(b) Includes grants awarded of \$150,000 (2006 - \$150,000) to the Association

	Cash Flows	
	2007	2006
Cash from operations	\$ 54,396	\$ (31,940)
Cash used in financing activities	(9,215)	(6,295)
Cash used in investing activities	(27,216)	(27,096)
Increase (decrease) in cash	\$ 17,965	\$ (65,331)

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 December 2007

9. **Common Control - continued**

Tuberculous & Chest Disabled Veterans' Association

	Financial Position	
	2007	2006
Total assets	\$ 3,511,535	\$ 3,461,922
Total liabilities	\$ 65,504	\$ 65,612
Total net assets	3,446,031	3,396,310
	\$ 3,511,535	\$ 3,461,922

	Results of Operations	
	2007	2006
Total revenues (c)	\$ 166,044	\$ 235,407
Total expenses and grants awarded	126,502	53,747
	\$ 39,542	\$ 181,660

(c) Includes grants received of \$150,000 (2006 - \$150,000) from the Society

	Cash Flows	
	2007	2006
Cash from operations	\$ 111,151	\$ (56,756)
Cash used in investing activities	(196,036)	(159,180)
Increase (decrease) in cash	\$ (84,885)	\$ (215,936)