

TB VETS CHARITABLE FOUNDATION

FINANCIAL STATEMENTS

31 DECEMBER 2008

TB VETS CHARITABLE FOUNDATION

Financial Statements

For the Year Ended 31 December 2008

Contents

Auditors' Report	
Statement of Financial Position	3
Statement of Operations and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 12



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 2008 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 2008 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

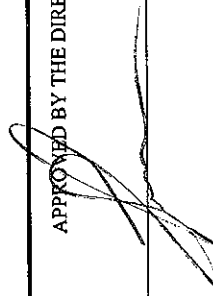
3 March 2009



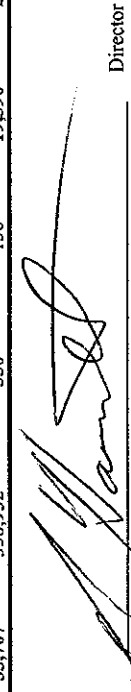
TB VETS CHARITABLE FOUNDATION
Statement of Financial Position
31 December 2008

	General Fund		Bequest Fund		Appropriated Awards Fund		Gaming Fund		Spinoza for Kids Fund		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Assets												
Current												
Cash	98,077	74,275	15,321	26,875	-	-	350	150	10,436	10,143	124,184	111,443
Temporary investments (Note 4)	-	67,478	464,460	558,632	-	-	-	-	-	-	464,460	626,110
Accounts receivable	12,463	5,990	-	-	-	-	-	-	-	-	12,463	5,990
Accrued interest receivable	85	203	15	81	-	-	-	-	-	-	100	284
Prepaid expenses	1,793	2,400	-	-	-	-	-	-	8,954	12,635	10,747	15,035
Interfund accounts receivable	700	200	159,336	273	33,707	358,932	-	-	-	-	193,743	359,405
	113,118	150,546	639,132	585,861	33,707	358,932	350	150	19,390	22,778	805,697	1,118,267
Liabilities and Fund Balances												
Liabilities												
Accounts payable and accrued liabilities	27,431	7,744	-	-	-	-	-	-	-	-	27,431	7,744
Grants and awards payable	-	-	-	-	33,707	358,932	-	-	-	-	33,707	358,932
Due to related organizations (Note 5)	851,776	513,695	-	-	-	-	-	-	-	-	851,776	513,695
Interfund accounts payable	193,043	359,205	-	-	-	-	700	200	-	-	193,743	359,405
	1,072,250	880,644	-	-	33,707	358,932	700	200	-	-	1,106,657	1,239,776
Fund Balances												
Externally restricted	-	-	-	-	-	-	-	-	19,390	22,778	19,390	22,778
Internally restricted	-	-	639,132	585,861	-	-	(350)	(50)	-	-	638,782	585,811
Unrestricted	(959,132)	(730,098)	-	-	-	-	-	-	-	-	(959,132)	(730,098)
	(959,132)	(730,098)	639,132	585,861	-	-	(350)	(50)	19,390	22,778	(300,960)	(121,509)
	113,118	150,546	639,132	585,861	33,707	358,932	350	150	19,390	22,778	805,697	1,118,267

APPROVED BY THE DIRECTORS:



Director



Director

TB VETS CHARITABLE FOUNDATION
Statement of Operations and Changes in Fund Balances
For the Year Ended 31 December 2008

	General Fund		Request Fund		Appropriated Awards Fund		Gaming Fund		Spinoza for Kids Fund		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenues												
Donations	2,263,401	2,272,299	88,919	531	-	-	-	-	-	5,620	2,352,320	2,278,450
Less: Donation costs	-	417	-	-	-	-	-	-	-	6,533	3,681	6,950
	2,263,401	2,271,882	88,919	531	-	-	-	-	-	(913)	2,348,639	2,271,500
Other Revenue												
Investment income (Note 7)	8,009	25,860	(17,373)	23,064	-	-	-	-	-	293	174	49,098
	2,271,410	2,297,742	71,546	23,595	-	-	-	-	-	(3,388)	2,339,568	2,320,598
Expenses												
Professional fees	43,359	45,448	5,897	5,304	-	-	-	-	-	-	49,256	50,752
Advertising and promotion	238,536	150,160	-	-	-	-	-	-	-	-	238,536	150,160
Bank charges	15,811	11,908	-	-	-	-	300	50	-	-	16,111	11,958
Insurance	3,024	3,006	-	-	-	-	-	-	-	-	3,024	3,006
Office	1,144	2,571	-	-	-	-	-	-	-	-	1,144	2,571
Miscellaneous	4,756	5,471	-	-	-	-	-	-	-	-	4,756	5,471
	306,630	218,564	5,897	5,304	-	-	300	50	-	-	312,827	223,918
Excess of revenues over expenses	1,964,780	2,079,178	65,649	18,291	-	-	(300)	(50)	(739)	(3,388)	2,026,741	2,096,680
Grants awarded (Note 6)	-	-	12,378	14,078	2,193,814	2,387,470	-	-	-	-	2,206,192	2,401,548
Excess (deficiency) of revenues over expenses and grants	1,964,780	2,079,178	53,271	4,213	(2,193,814)	(2,387,470)	(300)	(50)	(739)	(3,388)	(179,451)	(304,868)
Fund balances - beginning of year	(730,098)	(421,806)	585,861	581,648	-	-	(50)	-	-	22,778	(121,509)	183,359
Interfund transfers	(2,193,814)	(2,387,470)	-	-	2,193,814	2,387,470	-	-	-	-	-	-
Fund balances - end of year	(959,132)	(730,098)	639,132	585,861	-	-	(350)	(50)	19,390	22,778	(300,960)	(121,509)

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 2008

	2008	2007
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses	\$ 2,026,741	\$ 2,096,680
Item not involving cash		
Adjustment to market value of investments	45,883	43,543
	2,072,624	2,140,223
Changes in non-cash working capital balances		
Accounts receivable	(6,473)	(506)
Accrued interest receivable	184	22
Prepaid expenses	4,288	5,463
Accounts payable and accrued liabilities	19,687	(26,654)
Due to related organizations	338,081	118,418
	2,428,391	2,236,966
Investing activities		
Proceeds from sale of temporary investments, net	115,767	360,123
Grants paid	(2,531,417)	(2,552,935)
	(2,415,650)	(2,192,812)
Net increase in cash	12,741	44,154
Cash - beginning of year	111,443	67,289
Cash - end of year	\$ 124,184	\$ 111,443
Supplemental Cash Flow Information:		
Interest received	\$ 10,248	\$ 49,027

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 2008

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 2008

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 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.

(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.

(f) Future Changes in Accounting Policies

(i) Capital Disclosures

In October 2006, the CICA issued Section 1535 of the CICA Handbook "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and how it is managed. The standard is effective for annual financial statements relating to fiscal years beginning on or after 1 August 2008. The Foundation does not expect that the adoption of this standard will have a significant impact on its financial statement disclosures.

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 December 2008

2. Summary of Significant Accounting Policies - continued

(f) Future Changes in Accounting Policies - continued

(ii) Financial Instruments - Disclosure and Financial Instruments - Presentation

Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation" replace Section 3861 "Financial Instruments - Disclosure and Presentation". Section 3862 requires increased disclosures regarding the risks associated with financial instruments such as credit risk, liquidity risk and market risks and the techniques used to identify, monitor and manage these risks. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments between liabilities and equity. These standards are effective for annual financial statements relating to fiscal years beginning on or after 1 October 2008. The Foundation is currently evaluating the impact of these new standards.

(iii) Not-for-Profit Organizations

In September 2008, the CICA amended a number of standards in Section 4400 and issued new Section 4470, "Disclosures of Allocated Expenses by Not-for-Profit Organizations". The amendments include clarifying the recognizing of revenues and expenses on a gross basis when the not-for-profit organization acts as a principal in the transactions and the treatment and disclosure of internally and externally restricted net assets. The new section requires not-for-profit organizations that make allocates of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. These standards are effective for annual financial statements relating to fiscal years beginning on or after 1 January 2009. The Foundation is currently evaluating the impact of these new standards.

3. Financial Instruments and Financial Risk

The Foundation classified its cash and temporary investments as held for trading and its accounts and other receivables as loans and receivables. Accounts payable and accrued liabilities, grants and awards payable and due to related organizations have been classified as other financial liabilities.

(a) Fair Value

- (i) Cash, accounts and other receivables, accounts payable and accrued liabilities are measured at their carrying amount since it is comparable to their fair value due to the approaching maturity of these financial instruments.
- (ii) Temporary investments are measured at fair value, determined on the basis of market value.

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 December 2008

Financial Instruments and Financial Risk - continued

(a) Fair Value

(iii) Amounts due to related organizations are carried at cost as the fair value is not determinable due to the related party nature of the balance.

(b) Financial Risk

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.

4. Temporary Investments

	2008		2007	
	Cost	Market Value	Cost	Market Value
General fund	\$ -	\$ -	\$ 62,432	\$ 67,478
Bequest fund	484,432	464,460	538,483	558,632
	\$ 484,432	\$ 464,460	\$ 600,915	\$ 626,110

5. Due to Related Organizations

	2008	2007
T.A.G.S. - The Ability Group Society	\$ 851,776	\$ 513,695

These amounts are without interest or specific terms of repayment.

6. 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 \$2,150,228 (2007 - \$1,966,152) 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.

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 December 2008

7. Investment Income

	2008	2007
Interest income	\$ 10,064	\$ 12,414
Realized gain (loss) on sale of temporary investments	(25,048)	(2,836)
Unrealized gain (loss) on market value of temporary investments	(19,972)	19,913
Investment income	25,885	19,607
	\$ (9,071)	\$ 49,098

8. 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.

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 2008 and 2007 and for the years then ended are as follows.

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 December 2008

8. **Common Control - continued**

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

	Financial Position	
	2008	2007
Total assets	\$ 1,434,179	\$ 968,345
Total liabilities	\$ 1,124,139	\$ 662,930
Total net assets	310,040	305,415
	\$ 1,434,179	\$ 968,345
	Results of Operations	
	2008	2007
Total revenues (a)	\$ 2,495,602	\$ 2,328,610
Total expenses and grants awarded (b)	2,490,977	2,335,711
	\$ 4,625	\$ (7,101)

- (a) Includes grants received of \$2,150,228 (2007 - \$1,966,152) from the Foundation.
(b) Includes grants awarded of \$150,000 (2007 - \$150,000) to the Association.

	Cash Flows	
	2008	2007
Cash from operations	\$ 83,315	\$ 54,396
Cash used in financing activities	(5,014)	(9,215)
Cash used in investing activities	(77,824)	(27,216)
Increase (decrease) in cash	\$ 477	\$ 17,965

TB VETS CHARITABLE FOUNDATION
Notes to the Financial Statements
For the Year Ended 31 December 2008

8. Common Control - continued

Tuberculous & Chest Disabled Veterans' Association

	Financial Position	
	2008	2007
Total assets	\$ 3,812,969	\$ 3,511,535
Total liabilities	\$ 388,663	\$ 65,504
Total net assets	3,424,306	3,446,031
	\$ 3,812,969	\$ 3,511,535
	Results of Operations	
	2008	2007
Total revenues (c)	\$ 145,465	\$ 166,044
Total expenses and grants awarded	226,731	192,427
	\$ (81,266)	\$ (26,383)

(c) Includes grants received of \$150,000 (2007 - \$150,000) from the Society.

	Cash Flows	
	2008	2007
Cash from operations	\$ (346,949)	\$ 111,151
Cash used in investing activities	353,137	(196,036)
Increase (decrease) in cash	\$ 6,188	\$ (84,885)