

THE QUETICO FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2002

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AUDITORS' REPORT

To the Trustees of The Quetico Foundation:

We have audited the statement of financial position of The Quetico Foundation as at December 31, 2002 and the statements of operations and changes in net assets 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 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 not-for-profit organizations, The Quetico Foundation derives part of its income from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might have been necessary to donations, excess of expensure over revenue, current assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2002, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS

Toronto, Ontario.
April 9, 2003.

THE QUETICO FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2002

	<u>ASSETS</u>	<u>2002</u>	<u>2001</u>
CURRENT ASSETS			
Cash	\$	46,358	\$ 140,250
G.S.T. receivable		2,570	2,828
Government grant receivable		400	600
Investments, at cost (Note 3)		531,390	483,774
Inventory		--	35,948
Prepaid expenses		<u>333</u>	<u>302</u>
		<u>\$ 581,051</u>	<u>\$ 663,702</u>
 <u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	<u>6,564</u>	\$ <u>12,076</u>
 MEMBERS' EQUITY			
		<u>574,487</u>	<u>651,626</u>
		<u>\$ 581,051</u>	<u>\$ 663,702</u>

APPROVED ON BEHALF OF THE FOUNDATION:

Arthur Saunders
(Director)

R. Lee Woods
(Director)

THE QUETICO FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>2002</u>	<u>2001</u>
REVENUE		
Donations	\$ 85,760	\$ 173,436
Map sales	7,400	8,095
Annual dinner	9,775	13,356
Sundry	<u>14,452</u>	<u>22,154</u>
	<u>117,387</u>	<u>217,041</u>
EXPENSES		
Summer program (Note 5)	58,754	62,275
Management fees	36,337	39,258
Write-off of map inventory	32,618	35,949
Annual dinner	9,170	12,601
Rent	7,845	7,844
Printing, stationery and supplies	5,530	4,957
Professional fees	5,313	4,276
Bursaries	4,600	2,500
Map expenses	3,330	3,662
Travel	3,294	3,809
Casual labour	3,199	3,794
Trustee meetings	3,129	3,529
G.S.T. expense	2,570	5,117
Storage and distribution of maps	2,240	1,710
Advertising and promotion	1,681	2,289
Telephone	1,311	1,632
Insurance	1,303	1,238
Bookkeeping	925	925
Website	775	932
Bank charges	523	296
Canoe centre	500	528
Fees and dues	<u>383</u>	<u>169</u>
	<u>185,330</u>	<u>199,290</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	<u>(67,943)</u>	<u>17,751</u>
OTHER INCOME (EXPENSE)		
Loss on sale of investments	(13,738)	(69)
Dividends and interest	11,255	22,939
Investment management fees	<u>(6,713)</u>	<u>(8,217)</u>
	<u>(9,196)</u>	<u>14,653</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) FOR THE YEAR	<u>\$ (77,139)</u>	<u>\$ 32,404</u>

See accompanying notes

THE QUETICO FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2002

2002

	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
NET ASSETS, beginning of year	\$ 590,000	\$ 61,626	\$ 651,626
Excess of expenses over revenue from operations for the year	--	(67,943)	(67,943)
Net investment income (loss) (Note 4)	<u>17,000</u>	<u>(26,196)</u>	<u>(9,196)</u>
NET ASSETS, end of year	<u>\$ 607,000</u>	<u>\$ (32,513)</u>	<u>\$ 574,487</u>

2001

	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
NET ASSETS, beginning of year	\$ 573,000	\$ 46,222	\$ 619,222
Excess of expenses over revenue from operations for the year	--	17,751	17,751
Net investment income (loss) (Note 4)	<u>17,000</u>	<u>(2,347)</u>	<u>14,653</u>
NET ASSETS, end of year	<u>\$ 590,000</u>	<u>\$ 61,626</u>	<u>\$ 651,626</u>

THE QUETICO FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2002

1. PURPOSE OF THE ORGANIZATION

The Quetico Foundation (the "Foundation") is a charity dedicated to the preservation of wilderness areas for recreation and scientific use with particular interest in matters relating to Quetico Provincial Park.

Monies received under the John B. Ridley Bequest Fund are used to further the objective of the Foundation as determined by its Board of Trustees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

The Foundation follows the deferral fund method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as a direct increase in net assets.

(b) Capital Assets

Capital assets purchased are expensed in the year of acquisition.

(c) Investments

Investments are recorded at cost. When a decline in market value is considered other than temporary, investments are written down to market value.

(d) Income taxes

The Foundation is a not-for-profit organization and is not subject to either Federal or Provincial income taxes.

(e) Financial instruments

The Foundation's financial instruments consist of cash, accounts receivable, investments and accounts payable. It is the Trustees' opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

THE QUETICO FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

3. INVESTMENTS

	<u>2002</u>		<u>2001</u>		
	<u>Cost</u>	Fair Market <u>Value</u>	<u>Cost</u>	Market <u>Value</u>	Fair
Integra pooled fund	\$ --	\$ --	\$ 176,248		\$ 178,559
Sceptre pooled fund	--	--	307,526		349,075
TD Waterhouse - Portfolio of shares	<u>531,390</u>	<u>564,119</u>	<u>--</u>		<u>--</u>
	<u>\$ 531,390</u>	<u>\$ 564,119</u>	<u>\$ 483,774</u>		<u>\$ 527,634</u>

4. RESTRICTIONS ON NET ASSETS

The Foundation has a self-imposed resolution to preserve a minimum in the Ridely Capital Endowment Fund. In 1991, the Foundation established that it would preserve \$500,000, adjusted for inflation, each year. For the year ended December 31, 2002, that amount is \$607,700 (2001 - \$590,000). The statement of net assets has allocated funds between internally restricted funds and unrestricted funds to record and adjust the fund balances to reflect the mandate.

5. SUMMER PROGRAM

	<u>2002</u>	<u>2001</u>
Wages and benefits	\$ 47,637	\$ 46,885
Program expenses	<u>11,117</u>	<u>15,390</u>
	<u>\$ 58,754</u>	<u>\$ 62,275</u>

6. STATEMENT OF CASH FLOWS

A statement of cash flows has not been prepared since it would not provide additional useful information beyond that presented in these financial statements.