

THE QUETICO FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2008

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TEPPERMAN·BUCHALTER LLP
Chartered Accountants

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, 2008 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 have 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 from 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 Quetico Foundation and we were not able to determine whether any adjustments might have been necessary to donations, excess of expenses over revenue, current assets and net assets.

In our opinion, except for the effect of adjustments, if any, which 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 Quetico Foundation as at December 31, 2008, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Tepperman Buchalter LLP

CHARTERED ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

Toronto, Ontario.
May 6, 2009.

THE QUETICO FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2008

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash	\$ 104,032	\$ 98,126
Investments, at market value (Note 6)	819,953	1,041,986
Accounts receivable	—	350
G.S.T. receivable	2,537	2,944
Prepaid expenses	661	613
	<u>\$ 927,183</u>	<u>\$ 1,144,019</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 8,006	\$ 6,505
NET ASSETS	<u>919,177</u>	<u>1,137,514</u>
	<u>\$ 927,183</u>	<u>\$ 1,144,019</u>

APPROVED ON BEHALF OF THE FOUNDATION:

(Trustee)

(Trustee)

THE QUETICO FOUNDATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
REVENUE		
Donations	\$ 42,231	\$ 74,485
Annual dinner	11,675	7,600
Silent auction	5,475	7,530
Legacy memorial donations	5,321	-
Sundry	5,265	4,034
Government grants	3,107	7,974
Map sales	171	830
	<u>73,245</u>	<u>102,453</u>
EXPENSES		
Summer program (Note 3)	63,368	54,128
Management fees	38,052	35,166
Other programs (Note 5)	26,205	17,494
Bursaries (Note 4)	16,070	12,119
Annual dinner	12,085	11,611
Rent	8,004	7,857
Office and general	7,345	12,373
Professional fees	7,000	5,500
Trustee meetings	3,736	3,068
Insurance	2,633	2,392
Casual labour	2,046	2,935
Advertising and promotion	1,712	2,106
Bookkeeping	1,475	2,450
Telephone	1,077	1,897
Interest and bank charges	833	803
Credit card commissions	638	486
Storage and distribution of maps	355	1,015
Website	279	533
Fees and dues	206	273
	<u>193,119</u>	<u>174,206</u>
EXCESS OF EXPENSES OVER REVENUE FROM OPERATIONS	<u>(119,874)</u>	<u>(71,753)</u>
OTHER INCOME (EXPENSE)		
Dividends and interest	26,277	27,933
Realized exchange losses	-	(1,221)
Investment management fees	(12,893)	(14,576)
Net change in unrealized loss on investments	(117,234)	(5,551)
Gain on sale of investments (Note 6)	5,387	56,588
	<u>(98,463)</u>	<u>63,173</u>
EXCESS OF EXPENSES OVER REVENUE FOR THE YEAR	<u>\$ (218,337)</u>	<u>\$ (8,580)</u>

THE QUETICO FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>		
	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
NET ASSETS - BEGINNING OF YEAR	\$ 698,000	\$ 439,514	\$ 1,137,514
Excess of expenses over revenue from operations for the year	--	(119,874)	(119,874)
Net investment income (loss) (Note 7)	<u>20,000</u>	<u>(118,463)</u>	<u>(98,463)</u>
NET ASSETS - END OF YEAR	<u>\$ 718,000</u>	<u>\$ 201,177</u>	<u>\$ 919,177</u>

	<u>2007</u>		
	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
NET ASSETS - BEGINNING OF YEAR	\$ 678,000	\$ 468,094	\$ 1,146,094
Excess of expenses over revenue from operations for the year	--	(71,753)	(71,753)
Net investment income (Note 7)	<u>20,000</u>	<u>43,173</u>	<u>63,173</u>
NET ASSETS - END OF YEAR	<u>\$ 698,000</u>	<u>\$ 439,514</u>	<u>\$ 1,137,514</u>

THE QUETICO FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

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 related to Quetico Provincial Park.

Funds received under the John B. Ridley Bequest Fund, Norma R. Ridley Estate and Margery J. Warren Estate are used to further the objectives 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) In-kind donations

In-kind donations are recorded in the organization's records as both revenue and expenditure when the fair value can be reasonably determined and when the assets or services would normally be purchased by the organization.

(c) Capital assets

Capital assets are purchased and expensed in the year of acquisition.

(d) Income taxes

For Canadian income tax purposes, the Foundation qualifies as a not-for-profit organization which is exempt from income tax under the Income Tax Act.

(e) Financial instruments

The Foundation's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. 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 value, unless otherwise noted.

Investments are classified as financial assets held for trading. They are measured annually at fair value, determined on the basis of market value at year-end. Unrealized gains or losses in the net change of the investments is recorded directly on the statement of operations.

THE QUETICO FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

(f) Foreign exchange

Monetary assets and liabilities in foreign currencies are converted at the exchange rates prevailing at the balance sheet date. Non-monetary assets are converted at the exchange rates prevailing at the date of acquisition. Income and expenses are converted at the average exchange rates of the month in which the transactions took place.

(g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The impact on the financial statements on future changes in such estimates could be material.

3. SUMMER PROGRAM

	<u>2008</u>	<u>2007</u>
Wages and benefits	\$ 49,660	\$ 43,801
Program expenses	<u>13,708</u>	<u>10,327</u>
	<u>\$ 63,368</u>	<u>\$ 54,128</u>

4. BURSARIES

Bursaries are comprised of financial support to the following initiatives: Shan Walshe Memorial Bursaries, Biology Internship Program and the Artists Cabin and all other research funded from the Margery J. Warren Estate bequest.

5. OTHER PROGRAMS

Other programs are comprised of expenses associated with the Canoe Day and Wilderness Youth Program.

THE QUETICO FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

6. INVESTMENTS	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>
TD Waterhouse - Portfolio of shares and other securities	<u>\$ 973,185</u>	<u>\$ 819,953</u>	<u>\$ 1,047,537</u>	<u>\$ 1,041,986</u>

Under the former method of using historical costs for recording realized gains and losses on investments, Robert Evans Investment Counsel generated a realized loss of (\$43,389) on trading activity for 2008.

Under the new method of classifying assets that are held for trading, realized gains and losses resulting from trading activity require the application of the "mark-to-market method" for determining the cost of investments on hand at the beginning of the year and sold during the year. As at year-end, a \$5,287 realized gain resulted from the application of this new accounting policy.

7. RESTRICTION ON NET ASSETS

The Foundation has passed a self-imposed resolution to preserve a minimum amount 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, 2008, that amount is \$718,000 (2007 - \$698,000). The statement of changes in the net assets has allocated investment income between internally restricted funds and unrestricted funds to record and adjust the fund balances to reflect this mandate.

The Foundation used a portion of the 2005 Margery J. Warren Estate bequest to finance the biology internship program and other research projects in the amount of \$14,800 during the year.

8. COMMITMENTS

Lease

The company is committed under a long-term operating lease, expiring October 31, 2012, for minimum annual rent of \$8,400.

9. STATEMENT OF CASH FLOWS

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