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Financial Statements

**FRIENDS OF RURAL COMMUNITIES  
AND THE ENVIRONMENT (FORCE)**

December 31, 2006

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**FRIENDS OF RURAL COMMUNITIES AND THE ENVIRONMENT (FORCE)**

**DECEMBER 31, 2006**

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## AUDITORS' REPORT TO MEMBERS


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We have audited the statement of financial position of Friends of Rural Communities and the Environment (FORCE) as at December 31, 2006, and the statement of changes in net assets, and the statement of operations for the year then ended. These financial statements are the responsibility of 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 non-profit organizations, Friends of Rural Communities and the Environment (FORCE) derives part of its revenue from the general public in the form of contributions and fund raising, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from this source was limited to accounting for the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, fund raising and other revenue, excess of revenue over expense for the year, 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 items referred to in the previous paragraph, these financial statements present fairly, in all material respects, the financial position of Friends of Rural Communities and the Environment (FORCE) as at December 31, 2006 and the results of its operations for the year then ended, in accordance with Canadian generally accepted accounting principles.

  
Chartered Accountants

Mississauga, Canada

February 12, 2007

**FRIENDS OF RURAL COMMUNITIES AND THE ENVIRONMENT (FORCE)**

**Statement of Financial Position**

**December 31, 2006**

|   | 2006              | 2005             |
|---|-------------------|------------------|
| <b>Assets</b>   |                   |                  |
| Cash short term deposits                              | \$ 15,155         | \$ 36,555        |
| Internally restricted short term deposits             | 100,000           | 50,000           |
| Cash held in trust                                    | 50,000            | -                |
| Other current assets                                  | 550               | 600              |
|   | <u>\$ 165,705</u> | <u>\$ 87,155</u> |
| <b>Liabilities and Net Assets</b>                     |                   |                  |
| Accounts payable and accrued liabilities              | \$ 2,319          | \$ 9,618         |
| Externally restricted deferred contributions (Note 4) | 50,000            | -                |
| Total liabilities                                     | <u>52,319</u>     | <u>9,618</u>     |
| <b>Net Assets</b>                                     |                   |                  |
| Restricted net assets, hearing fund (Note 5)          | 100,000           | 50,000           |
| Unrestricted net assets                               | 13,386            | 27,537           |
| Total net assets                                      | <u>113,386</u>    | <u>77,537</u>    |
|   | <u>\$ 165,705</u> | <u>\$ 87,155</u> |

See accompanying notes to the financial statements

**On behalf of the Board**

Director \_\_\_\_\_

Director \_\_\_\_\_

**FRIENDS OF RURAL COMMUNITIES AND THE ENVIRONMENT (FORCE)**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2006**

|                                   | Internally Restricted | Unrestricted | 2006       | 2005      |
|-----------------------------------|-----------------------|--------------|------------|-----------|
| <b>Net Assets</b>                 |                       |              |            |           |
| <b>Balance, Beginning of Year</b> | \$ 50,000             | \$ 27,537    | \$ 77,537  | \$ 49,306 |
| Excess of Revenue over Expenses   | -                     | 35,849       | 35,849     | 28,231    |
| Transfer to Restricted fund       | 50,000                | (50,000)     | -          | -         |
| <b>Balance, End of Year</b>       | \$ 100,000            | \$ 13,386    | \$ 113,386 | \$ 77,537 |

**FRIENDS OF RURAL COMMUNITIES AND THE ENVIRONMENT (FORCE)****Statement of Operations****Year Ended December 31, 2006**

|  | 2006            | 2005          |
|--|-----------------|---------------|
| <b>Revenue</b>   |                 |               |
| Environmental Defence Canada case support (Note 6)         | \$ 55,403       | \$ -          |
| Individual contributions                                   | 20,074          | 91,470        |
| Gala   | 19,245          | -             |
| Business contributions                                     | 6,000           | 15,000        |
| Interest   | 2,667           | 1,355         |
| Tour de FORCE  | <u>1,350</u>    | <u>-</u>      |
|  | 104,739         | 107,825       |
| Allocation to externally restricted deferred contributions | <u>(50,000)</u> | <u>-</u>      |
|  | 54,739          | 107,825       |
| <b>Expenses</b>  |                 |               |
| <b>Technical Experts</b>                                   |                 |               |
| Ecology  | 2,275           | 10,867        |
| Geographic information systems                             | (2,881)         | 39,341        |
| Hydrogeology   | 2,862           | 12,383        |
| Legal  | 4,408           | 8,222         |
| Research materials   | <u>189</u>      | <u>1,301</u>  |
|  | 6,853           | 72,114        |
| <b>Community Activities</b>                                |                 |               |
| Community meeting expenses                                 | 103             | 770           |
| Newsletter delivery  | 820             | -             |
| Flyer printing   | 2,139           | 497           |
| Signage  | 3,962           | 3,019         |
| Wristbands   | <u>1,072</u>    | <u>-</u>      |
|  | 8,096           | 4,286         |
| <b>Expenses Related to Incorporation</b>                   |                 |               |
| Insurance  | <u>2,323</u>    | <u>2,295</u>  |
|  | 2,323           | 2,295         |
| <b>Operating Costs</b>                                     |                 |               |
| Bank service charges                                       | 72              | 47            |
| Meeting expenses   | 93              | 51            |
| Memberships  | 343             | -             |
| Office supplies  | 552             | 302           |
| Parking  | 12              | 65            |
| Telephone  | 428             | 402           |
| Website  | <u>118</u>      | <u>32</u>     |
|  | 1,618           | 899           |
|  | 18,890          | 79,594        |
| <b>Excess of Revenue over Expenses</b>                     | <u>35,849</u>   | <u>28,231</u> |

See accompanying notes to the financial statements

# FRIENDS OF RURAL COMMUNITIES AND THE ENVIRONMENT (FORCE)

## Notes to the Financial Statements

December 31, 2006

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### 1. Purpose of Organization

Friends of Rural Communities and the Environment (FORCE) is a volunteer, non-profit organization dedicated to preserve and protect the environment, including quality of life for the residents and ratepayers, flora and fauna, air quality and water quality and quantity in their local communities.

Friends of Rural Communities and the Environment (FORCE) is a registered non-profit organization under the Income Tax Act.

### 2. Summary of Significant Accounting Policies

#### (a) Revenue Recognition

Friends of Rural Communities and the Environment (FORCE) follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted and internally restricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### (b) Expenditures

Expenditures are recorded on an accrual basis.

#### (c) Capital Assets

Capital assets are expensed as incurred. No amounts were charged to operations during the current year.

#### (d) Volunteers

The work of Friends of Rural Communities and the Environment (FORCE) is dependent on the voluntary services of many members. Since these services are not normally purchased by the Organization, and because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

#### (e) Income Taxes

As a not-for-profit organization, the association is not liable for income taxes.

#### (f) Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect revenue and expenses during the reporting periods, in addition to the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

### 3. Statement of Cash Flows

A statement of cash flows has not been presented, as it would not provide any additional meaningful information.

**FRIENDS OF RURAL COMMUNITIES AND THE ENVIRONMENT (FORCE)**

**Notes to the Financial Statements**

**December 31, 2006**

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**4. Externally Restricted Deferred Contributions**

Externally restricted deferred contributions represent resources in the current period which are expert fees related to expected future judicial hearings.

**5. Internally Restricted for Legal Fund**

The directors have allocated \$50,000 in 2006 and \$50,000 in 2005 of the unrestricted net assets to a restricted fund to cover future legal costs.

**6. Environmental Defence Canada Case Support**

During 2006 FORCE entered into a strategic relationship with Environmental Defence Canada (EDC). The relationships allows FORCE supporters to contribute to EDC on behalf of FORCE. EDC in turn agrees to pay for various legal and technical experts expenses incurred by FORCE. EDC collects a 10% administration fee as part of this arrangement.

|   |                  |
|---|------------------|
| Contributions to EDC on behalf of FORCE | \$ 65,887        |
| EDC administration fee                  | 6,589            |
| Funds held by EDC                       | <u>3,895</u>     |
| EDC case support                        | <u>\$ 55,403</u> |

**7. Financial Instruments**

The association's financial instruments recognized in the balance sheet consist of cash and short term deposits. The fair value of these instruments approximates their carrying amounts due to their short-term maturities.