

**HENEY LAKE FOUNDATION
FINANCIAL STATEMENTS
MAY 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Heney Lake Foundation

We have audited the accompanying financial statements of Heney Lake Foundation, which comprise the balance sheet as at May 31, 2012, and the statements of income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Heney Lake Foundation as at May 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Piché Ethier Lacroix CA inc. 1

Maniwaki (Québec)
August 12, 2012

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HENEY LAKE FOUNDATION
STATEMENT OF INCOME
FOR THE YEAR ENDED MAY 31, 2012

	2012	2011
Income		
Amortization of deferred contribution arising from a class action	\$ 114,977	\$ 70,150
Interest on investments	60,462	44,935
Tax refunds	-	9,834
	175,439	124,919
Expenditures		
Restoration measures according to article 1.2 or the agreement		
Rehabilitation and research contracts	107,492	69,892
Project management	281	163
Office, communications and travel	296	96
	108,069	70,151
Operation		
Professional fees	6,356	6,025
Insurance	3,829	3,829
Office, communications and travel	1,186	84
Bank charges	130	130
	11,501	10,068
Excess of income over expenditures	\$ 55,869	\$ 44,700



HENEY LAKE FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2012

	Appropriated for rehabilitation, protection and conservation measures of the ecosystem (note 6)	Appropriated for future legal fees (note 7)	Unappro- priated	2012 Total	2011 Total
Balance, beginning of year	\$ -	\$ 150,000	\$ 1,425,839	\$ 1,575,839	\$ 1,509,589
Excess of income over expenditures	-	-	55,869	55,869	44,700
Appropriations during the year	357,500	(150,000)	(207,500)	-	-
Variation of unrealized gains on the financial assets available-for-sale during the year	-	-	(42,248)	(42,248)	21,550
Balance, end of year	\$ 357,500	\$ -	\$ 1,231,960	\$ 1,589,460	\$ 1,575,839



HENEY LAKE FOUNDATION

BALANCE SHEET

AS AT MAY 31, 2012

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	2012	2011
Assets		
Current assets		
Cash	\$ 853	\$ 7,233
GST and QST	445	624
Current portion of accrued interest on investments (note 4)	22,888	15,210
	24,186	23,067
Investments (note 4)	1,598,461	1,689,774
	\$ 1,622,647	\$ 1,712,841
Liabilities		
Current liability		
Accounts payable and accrued liabilities	\$ 33,187	\$ 22,025
Deferred contributions (note 5)	-	114,977
	33,187	137,002
Net assets		
Appropriated for rehabilitation, protection and conservation measures of the ecosystem (note 6)	357,500	-
Appropriated for future legal fees (note 7)	-	150,000
Unappropriated	1,231,960	1,425,839
	1,589,460	1,575,839
	\$ 1,622,647	\$ 1,712,841

On behalf of the Board,

_____, Director

_____, Director



HENEY LAKE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2012

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	2012	2011
Operating activities		
Excess of income over expenditures	\$ 55,869	\$ 44,700
Non-cash item:		
Amortization of deferred contributions	(114,977)	(70,150)
	(59,108)	(25,450)
Net change in non-cash working capital items (note 8)	11,341	(3,662)
	(47,767)	(29,112)
Investing activities		
Acquisition of investments	(70,874)	(137,895)
Proceeds of investments	140,756	186,263
Change in accrued interest on investments	(28,495)	(13,402)
	41,387	34,966
Increase (decrease) in cash and cash equivalents	(6,380)	5,854
Cash and cash equivalents, beginning of year	7,233	1,379
Cash and cash equivalents, end of year	\$ 853	\$ 7,233

Cash and cash equivalents consist of cash.

1. Statutes of incorporation and nature of activities

The foundation is a legal entity incorporated under Part III of the Quebec Companies Act in accordance with the terms of an agreement following a class action and its purpose is to manage the funds received set out in the said agreement. The main activities of the foundation consist of the rehabilitation of the Heney Lake and the conservation of its ecosystem and its watershed.

2. Future change in accounting policies

In 2011, the Canadian Institute of Chartered Accountants issued new accounting standards for nonprofit organizations. These new standards are effective January 1, 2012 but earlier adoption is permitted. The foundation is currently evaluating the impact of adopting these new standards.

3. Significant accounting policies

Revenue recognition

The foundation uses the deferred method of reporting contributions. Contributions received from external sources in advance of making the related expenditures are deferred. Unappropriated contributions are recorded as revenue when they have been received or receivable, if the amount receivable can be estimated and can reasonably be determined.

Financial assets and liabilities

Assets and liabilities held for transaction purposes

The financial instruments classified in assets and liabilities held for transaction purposes are measured at fair value and changes in fair value are recognized in operations.

Financial assets available-for-sale

The financial instruments classified in financial assets available-for-sale are measured at their fair value. The gain or loss arising from the change in the fair value is included in net assets until the financial asset is derecognized and all cumulative gains or losses are then recognized in net income.

HENEY LAKE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS AT MAY 31, 2012

3. Significant accounting policies (continued)

Cash and cash equivalents

The policy of the foundation is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn. The credit margin used and bank borrowings are not included under cash equivalents but are classified as financing activities.

4. Investments

	2012	2011
Bonds and guaranteed investment certificates, rates varying between 1,15 % and 4,63 %, cost of \$ 1,528,099 (2011; \$ 1,583,099)	\$ 1,530,336	\$ 1,627,584
Cash, rates varying between 0,10 % and 1,00 %	23,127	23,119
Mutual Funds, at cost of \$ 4,707 (2011; \$ 19,597)	4,707	19,597
Accrued interest on investments	63,179	34,684
	1,621,349	1,704,984
Current portion of accrued interest on investments	22,888	15,210
	\$ 1,598,461	\$ 1,689,774

5. Deferred contributions

Deferred contributions represent unexpended resources received which are reserved to restorative measures for the rehabilitation of Heney Lake in accordance with paragraph 1.2 of the agreement. Variations in the deferred contributions account during the period are made up the following :

	2012	2011
Initial amount received	\$ 3,200,000	\$ 3,200,000
Less : amount recorded as income in previous years	(3,085,023)	(3,014,873)
Less : amount recorded as income in current year	(114,977)	(70,150)
Balance, end of the year	\$ -	\$ 114,977

HENEY LAKE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

AS AT MAY 31, 2012

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6. Net assets appropriated for the rehabilitation, protection and conservation measures of the ecosystem

In accordance with the protocol's final settlement, a reserve of \$ 357 500 originating from the funds received for the rehabilitation of Heney Lake in excess of the amounts spent and the interest earned on these funds has been created to pay for any rehabilitation, conservation or preservation measures of the ecosystem of Heney Lake in the future.

7. Net assets appropriated for future legal fees

A reserve of \$ 150,000 was created in conformity with the specifications of the class action. This fund was to pay for legal fees to be incurred if the environmental objectives were not achieved.

According to the latest reports, these objectives have been met and the fund no longer needed. The fund has been transferred to unappropriated net assets.

8. Net change in non-cash working capital items

	2012	2011
GST and QST	\$ 179	\$ 1,647
Accounts payable and accrued liabilities	<u>11,162</u>	<u>(5,309)</u>
	<u>\$ 11,341</u>	<u>\$ (3,662)</u>

9. Financial instruments

The financial instruments include all the monetary elements of the assets and liabilities which in due time will be settled by means of a cash payment or other form of payment.

Fair value

The fair value of the financial instruments is approximately equal to their carrying value given their short-term maturity date.

10. Capital disclosures

Contributions received following the settlement of a class action are subjected to rules concerning the expenditure of these funds. The foundation respects all requirements concerning contributions received.

11. Comparative figures

Certain figures for 2011 have been reclassified to make their presentation identical to that adopted in 2012.