

HENEY LAKE FOUNDATION
FINANCIAL STATEMENTS
MAY 31, 2013

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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, 2013, 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

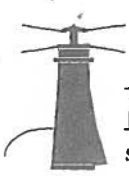
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that 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.

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, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that Heney Lake Foundation adopted Canadian accounting standards for not-for-profit organizations on June 1st, 2012 with a transition date of June 1st, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at May 31, 2012 and June 1st, 2011, and the statements of income, changes in net assets and cash flows for the year ended May 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Maniwaki CPA

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August 18, 2013

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HENEY LAKE FOUNDATION
STATEMENT OF INCOME
FOR THE YEAR ENDED MAY 31, 2013

	2013	2012
Income		
Interest on investments	\$ 51,053	\$ 60,462
Amortization of deferred contribution arising from a class action	-	114,977
	51,053	175,439
Expenditures		
Restoration measures according to article 1.2 or the agreement		
Rehabilitation and research contracts	83,048	107,492
Project management	131	281
Office, communications and travel	44	296
	83,223	108,069
Operation		
Professional fees	26,922	6,356
Insurance	3,829	3,829
Office, communications and travel	350	1,186
Bank charges	134	130
	31,235	11,501
Excess (deficiency) of income over expenditures	\$ (63,405)	\$ 55,869



HENEY LAKE FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2013

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	Appropriated *	Unrestricted	2013 Total	2012 Total
Balance, beginning of year	\$ 357,500	\$ 1,231,960	\$ 1,589,460	\$ 1,575,839
Excess (deficiency) of income over expenditures	(83,223)	19,818	(63,405)	55,869
Variation of unrealized gains on the financial assets available-for-sale during the year	-	-	-	(42,248)
Balance, end of year	\$ 274,277	\$ 1,251,778	\$ 1,526,055	\$ 1,589,460

* Appropriated for rehabilitation, protection and conservation measures of the ecosystem (note 6)



HENEY LAKE FOUNDATION

BALANCE SHEET

AS AT MAY 31, 2013

	2013	2012	As at June 1st, 2011
Assets			
Current assets			
Cash	\$ 15,842	\$ 853	\$ 7,233
GST and QST	1,858	445	624
Current portion of accrued interest on investments (note 4)	46,012	22,888	15,210
	63,712	24,186	23,067
Investments (note 4)	1,468,293	1,598,461	1,689,774
	\$ 1,532,005	\$ 1,622,647	\$ 1,712,841
Liabilities			
Current liability			
Accounts payable and accrued liabilities	\$ 5,950	\$ 33,187	\$ 22,025
Deferred contributions	-	-	114,977
	5,950	33,187	137,002
Net assets			
Appropriated (note 6)	274,277	357,500	-
Unrestricted	1,251,778	1,231,960	1,575,839
	1,526,055	1,589,460	1,575,839
	\$ 1,532,005	\$ 1,622,647	\$ 1,712,841

Commitment (note 8)

On behalf of the Board,

_____, Director

_____, Director



Piché & Lacroix CPA inc.

Société de comptables professionnels agréés / Corporation of Chartered Professional Accountants

HENEY LAKE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2013

	2013	2012
Operating activities		
Excess (deficiency) of income over expenditures	\$ (63,405)	\$ 55,869
Non-cash item:		
Amortization of deferred contributions	-	(114,977)
	(63,405)	(59,108)
Net change in non-cash working capital items (note 7)	(28,650)	11,341
	(92,055)	(47,767)
Investing activities		
Acquisition of investments	(256,823)	(70,874)
Proceeds of investments	364,859	140,756
Change in accrued interest on investments	(992)	(28,495)
	107,044	41,387
Increase (decrease) in cash and cash equivalents	14,989	(6,380)
Cash and cash equivalents, beginning of year	853	7,233
Cash and cash equivalents, end of year	\$ 15,842	\$ 853

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. Significant accounting policies

The foundation applies the Canadian accounting standards for not-for-profit organizations in Part III of the CICA Accounting Handbook.

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 instruments

Measurement of financial instruments

The foundation initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash.

Financial liabilities measured at amortized cost include accounts payable.

The foundation's financial assets measured at fair value include quoted investments.

2. Significant accounting policies (continued)

Financial instruments (continued)

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of possible impairment. The foundation determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the balance sheet date. The amount of the write-down is recognized in net earnings. The previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net earnings.

Transaction costs

The foundation recognizes its transaction costs in net earnings in the period incurred. However, transaction costs related to financial instruments subsequently measured at amortized cost reduce the carrying amount of the financial asset or liability and are accounted for in the statement of earnings using the effective interest method.

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.

3. The impact of the change in accounting policy

During the year, the Heney Lake Fondation adopted the recommendations of the Handbook of the Canadian Institute of Chartered Accountants applicable to nonprofit organizations. The adoption of these standards had no impact and no adjustment is necessary in the retained earnings at the transition date which is June 1, 2011 (beginning of the comparative figures).

HENEY LAKE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS AT MAY 31, 2013

4. Investments

	2013	2012	As at June 1st, 2011
Bonds and guaranteed investment certificates, rates varying between 2,25 % and 4,63 %, cost of \$ 1,428,089 (2012; \$ 1,528,099)	\$ 1,428,099	\$ 1,530,336	\$ 1,627,584
Cash, rates varying between 0,10 % and 1,00 %	22,035	23,127	23,119
Mutual Funds, at cost of \$ 0 (2012; \$ 4,707)	-	4,707	19,597
Accrued interest on investments	64,171	63,179	34,684
	1,514,305	1,621,349	1,704,984
Current portion of accrued interest on investments	46,012	22,888	15,210
	\$ 1,468,293	\$ 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 :

	2013	2012	As at June 1st, 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)
	\$ -	\$ -	\$ 114,977



HENEY LAKE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS AT MAY 31, 2013

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. This reserve is reduced annually by the amount spent on remedial measures during the year.

7. Net change in non-cash working capital items

	2013	2012
GST and QST	\$ (1,413)	\$ 179
Accounts payable and accrued liabilities	(27,237)	11,162
	<u>\$ (28,650)</u>	<u>\$ 11,341</u>

8. Commitment

As at May 31, 2013 the foundation was committed under a research contract for an amount of \$ 61,740 payable in the 2013-2014 fiscal year.