Marmot Recovery Foundation
Financial Statements
December 31, 2008

Contents

For the year ended December 31, 2008

To the Members of Marmot Recovery Foundation

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Foundation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Foundation's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Board and management to discuss their audit findings.

April 14, 2009

Executive Director

Auditors' Report

To the Members of Marmot Recovery Foundation:

We have audited the statement of financial position of Marmot Recovery Foundation as at December 31, 2008 and the statements of operations, changes in net assets and cash flows 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.

As is common with many charitable organizations, the Foundation derives revenue from public donations and bequests, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records and we were not able to determine whether adjustments might be necessary to public donations and bequests revenues, excess of revenues over expenses, assets and net assets.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the public donation and bequest revenues, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act (British Columbia), we report that, in our opinion, except for the change in accounting policies disclosed in Note 2, these principles have been applied on a basis consistent with that of the preceding year.

Meyers Norris Penny LLP

Nanaimo, British Columbia

April 14, 2009

Chartered Accountants

Marmot Recovery Foundation
Statement of Financial Position
As at December 31, 2008

	2008	*2007*
Assets		
Current		
Cash	**150,886**	112,020
Temporary investments	**250,000**	145,131
Accounts receivable	**20,000**	
Goods and Services Tax receivable	**12,894**	17,233.
Prepaid expenses	**5,461**	6,445
	439,241	280,829
Capital assets *(Note 4)*	**955,427**	1,009,164
	1,394,668	1,289,993
Liabilities		
Current		
Accounts payable and accruals	**61,990**	74,116
Net Assets		
Invested in capital assets	**955,427**	1,009,164
Unrestricted	**377,251**	206,713
	1,332,678	1,215,877
	1,394,668	1,289,993

Approved on behalf of the Board

22/06/09 **Director** *June 27, 09* **Director**

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Marmot Recovery Foundation
Statement of Operations
For the year ended December 31, 2008

	2008	*2007*
Revenues		
Public donations	**622,020**	592,763
Forest industry contributions	**266,666**	266,666
Government contributions	**233,000**	133,000
Merchandise	**8,371**	3,887
Interest and other	**4,285**	4,032
	1,134,342	1,000,348
Expenses		
Amortization	**57,737**	59,468
Consulting and contracted services	**323,319**	348,349
Cost of merchandise	**4,856**	2,514
Field Services and supplies	**124,653**	85,222
Fundraising	**243,968**	248,419
Insurance	**6,553**	6,979
Interest and bank charges	**9,641**	8,425
Office	**8,459**	11,868
Professional development	**-**	1,137
Professional fees	**9,337**	8,853
Rental	**9,000**	16,463
Repairs and maintenance	**449**	-
Salaries and benefits	**137,173**	128,220
Telephone, fax and internet	**8,599**	9,491
Travel	**65,961**	64,042
Utilities	**7,836**	6,735
	1,017,541	1,006,185
Excess (deficiency) of revenues over expenses	**116,801**	(5,837)

Marmot Recovery Foundation
Statement of Changes in Net Assets
For the year ended December 31, 2008

	Invested in Capital Assets	*Unrestricted*	***2008***	*2007*
Balance at beginning of year	1,009,164	206,713	**1,215,877**	1,221,714
Excess (deficiency) of revenue over expenses	(57,737)	174,538	**116,801**	(5,837)
Investment in capital assets	4,000	(4,000)	**-**	-
Balance at end of year	955,427	377,251	**1,332,678**	1,215,877

The accompanying notes are an integral pat of these financial statements

Marmot Recovery Foundation
Statement of Cash Flows
For the year ended December 31, 2008

	2008	*2007*
Cash provided by (used for) the following activities		
Operating activities		
Cash received from donors and contributors	**1,114,988**	997,831
Cash paid to suppliers	**(833,266)**	(798,053)
Employment compensation	**(141,678)**	(128,220)
Interest received	**3,691**	4,536
	143,735	76,094
Investing activities		
Purchases of capital assets	**-**	(17,269)
Purchase of guaranteed investment certificates	**(350,000)**	(145,131)
Proceeds on disposal of guaranteed investment certificates	**245,131**	117,430
	(104,869)	(44,970)
Increase in cash resources	**38,866**	31,124
Cash resources, beginning of year	**112,020**	80,896
Cash resources, end of year	**150,886**	112,020

1. Incorporation and operations

The Marmot Recovery Foundation (the "Foundation") was incorporated on April 20, 1998 as a not-for-profit entity under the Society Act of British Columbia. The Foundation is a registered charity under the Income Tax Act and as such is exempt from income tax. In order to maintain its status as a registered charity, the Foundation must meet certain requirements. In the opinion of management, these requirements have been met.

The Foundation's mandate is to re-establish the Vancouver Island marmot population to self-sustaining levels in its natural habitat. More specifically, the purpose of the Foundation as set out in its constitution is:

a) to fund, facilitate, promote and carry out research and activities to assist and enhance the survival of marmots and other endangered or "at risk" populations of animals within Canada;

b) to create, staff and support research and breeding facilities for marmots and other endangered or "at risk" populations of animals within Canada;

c) to receive bequests, legacies, donations, gifts, funds and property from all sources, including those from other charitable organizations, and to hold and invest such funds and property and to administer and distribute such funds and property for the purposes of the Foundation;

d) to develop sources of income as may from time to time be appropriate, including without limiting the foregoing, carrying on such business or other activities as are incidental to the foregoing purposes and to further the purposes of the Foundation;

e) to acquire by lease, purchase, or otherwise such real and personal property as may be necessary to carry out the purposes of the Foundation; and

f) to do all such things as are incidental and ancillary to the attainment of the foregoing purposes and the exercise of the power of the Foundation.

Donations received are used for the advancement of the Foundation's marmot recovery projects, which are primarily located in British Columbia.

2. Change in accounting policy

Financial instruments

During the year, the CICA Accounting Standards Board provided relief to certain organizations, including not-for-profit organizations, from the requirement to adopt CICA sections 3862 Financial Instruments - Disclosures and 3863 Financial Instruments - Presentation. Those not-for-profit organizations who elected to adopt can now choose to no longer apply these sections and revert to the previous standard covered by CICA 3861 Financial Instruments - Disclosure and Presentation.

The change was applied retrospectively and prior year's financial statements have been restated. This had no impact on the financial statements.

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Revenue Recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted public donations and bequests are recognized as revenue when received. Forest industry and government contributions are recognized in the period specified by the contributor and when collectibility is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

3. Significant accounting policies *(Continued from previous page)*

Temporary Investments

Temporary investments consist of interest-bearing, bank-issued guaranteed investment certificate with maturities of one year or less from the initial date of acquisition.

Capital assets

Capital assets are initially recorded at cost or estimated fair value if donated.

Amortization is provided on a declining balance basis using rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Breeding facility	5 %
Office equipment and other	30 %
Computer equipment	30 %
Field equipment	30 %
Artwork	Not amortized

In the year of acquisition, amortization is taken at one-half of the above rates.

Donated capital assets, materials and services

Donated capital assets, materials and services are recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the Foundation's operations and would otherwise have been purchased.

Volunteers assist the Foundation in carrying out its services. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the statement of financial position date. Revenues and expenses are translated at the exchange rate in effect on the transaction date.

Measurement uncertainty (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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Financial instruments

Held for trading:

The Foundation has classified the following financial assets as held for trading: cash and temporary investments. These instruments are initially recognized at their fair value, determined by published price quotations in an active market. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date.

Held for trading financial instruments are subsequently measured at their fair value, without any deduction for transactions costs incurred on sale or other disposal. Gains and losses arising from changes in fair value are recognized immediately in excess revenues over expenses.

3. Significant accounting policies *(Continued from previous page)*

Loans and receivables:

The Foundation has classified the following financial assets as loans and receivables: accounts receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date. Total interest income, calculated using the effective interest rate method, is recognized in excess of revenues over expenses.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Other financial liabilities:

The Foundation has classified the following financial liabilities as other financial liabilities: accounts payable and accruals. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date. Total interest expense, calculated using the effective interest rate method, is recognized in excess of revenues over expenses.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carry value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Financial asset impairment:

The Foundation assesses impairment of all its financial assets, except those classified as held for trading. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

4. Capital assets

	Cost	*Accumulated amortization*	*2008 Net book value*	*2007 Net book value*
Breeding facility	**1,370,384**	**437,626**	**932,758**	981,851
Automotive	**4,000**	**600**	**3,400**	-
Field equipment	**41,222**	**26,630**	**14,592**	20,846
Office equipment and other	**9,098**	**8,392**	**706**	1,008
Computer equipment	**14,186**	**10,715**	**3,471**	4,959
Artwork	**500**	**-**	**500**	500
	1,439,390	**483,963**	**955,427**	1,009,164

5. Economic dependence

The ability of the Foundation to continue as a going concern is dependent upon the continued financial support of individual donors, the provincial government and the forest industry. The Foundation receives contributions from the forest industry and provincial government through a Letter of Intent covering 2008 to 2011.

6. Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Foundation are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

Risk management policy

Due to the small size of the organization, the Foundation has no formal risk management policy, other than required Board approval of investment transactions and approval of expenditures.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through investing in temporary investments with maturity dates of one year or less from the date of acquisition.

The Foundation is exposed to interest rate risk with respect to its temporary investments with a fixed rate of 2.5%. A 1% increase or decrease in interest rates would not result in a significant change in fair value of these temporary investments.

Fair value of financial instruments

The carrying amount of cash, temporary investments, accounts receivable and accounts payable and accruals approximates their fair value due to the short term maturities of these items.

Credit concentration

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of temporary investments and accounts receivable. Temporary investments are due from a Canadian Bank and accounts receivable are due from one funding body. The maximum credit risk exposure is $270,000 (2007 - $145,131). However, the Foundation believes that there is minimal risk associated with the collection of these amounts due to credit quality of the Bank and the Agreement in place with the funding body.

7. Commitments

Pursuant to the term of a land lease agreement, the Foundation is required to make future payments relating to all costs associated with the Foundation's occupancy of certain property located at Mount Washington on Vancouver Island on which the Foundation has constructed a marmot captive breeding facility.

Under the agreement, the Foundation was required to make a one-time lease payment of $10. This amount was paid in 1999. Other than the ongoing occupancy costs discussed above, the Foundation is not required to make any further lease payments under this agreement.