

Financial Statements of

**THE BOW VALLEY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
(Operating as “The Bow Valley SPCA”)**

December 31, 2006

Management's Report

Management is responsible to the Board of Directors for the preparation of the financial statements of The Bow Valley Society For The Prevention Of Cruelty To Animals (Operating as "The Bow Valley SPCA") (the "Organization"). These statements have been prepared in accordance with Canadian generally accepted accounting principles for non-profit organizations and necessarily include some amounts based on estimates and judgements.

The Organization maintains a system of internal control, which provides management with reasonable assurance that assets are safeguarded and that reliable financial records are maintained. This system includes written policies and procedures and an organizational structure that segregates duties to the extent possible. The Organization has also instituted policies and guidelines, which require employees to maintain the highest ethical standards.

The external auditors of the Organization, Chengkalath Van Eyck Chartered Accountants, have been appointed by the board to express an opinion as to whether the financial statements present fairly the Organization's financial position and operating results in accordance with Canadian generally accepted accounting principles for non-profit organizations. Their report follows.

The Board of Directors has reviewed and approved these financial statements. The Board meets periodically with management and the external auditors to review internal controls, audit results and accounting principles and practices.

President
The Bow Valley Society For The Prevention Of Cruelty To Animals

March 12, 2007

Auditors' Report

To the Members of The Bow Valley Society For The Prevention Of Cruelty To Animals:

We have audited the statement of financial position of The Bow Valley Society For The Prevention Of Cruelty To Animals (Operating as "The Bow Valley SPCA") (the "Organization") as at December 31, 2006 and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 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, the Organization derives revenue from fund raising activities, donations and memberships, 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 of the Organization and we were not able to determine whether any adjustments might be necessary to the statement of operations and the statement of financial position.

In our opinion, except for the effect of the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects the financial position of the Organization as at December 31, 2006 and the results of its financial activities and the changes in its cash position for the year then ended in accordance with Canadian generally accepted accounting principles.

Chengkalath Van Eyck

Chartered Accountants

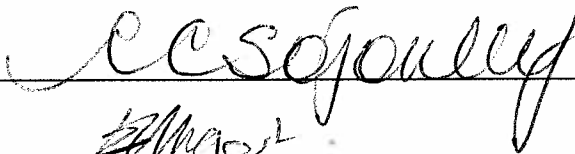

March 12, 2007

THE BOW VALLEY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
(Operating as "The Bow Valley SPCA")
Statement of Financial Position
As at December 31, 2006 and 2005

	2006	2005
ASSETS		
Current assets		
Cash and short term investments	\$ 202,093	\$ 511,696
Cash - restricted (note 6)	162,370	-
Marketable securities (note 3)	20,801	-
Accrued receivables	21,682	13,178
Deposits	11,000	11,000
Prepaid expenses	5,901	901
	423,847	536,775
Property and equipment (note 4)	826,063	447,556
	\$ 1,249,910	\$ 984,331
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 39,804	\$ 175,101
NET ASSETS		
Invested in property and equipment	826,063	447,556
Endowments (note 5)	25,152	-
Externally restricted net assets (note 6)	162,370	-
Internally restricted net assets (note 7)	176,326	336,674
Unrestricted net assets	20,195	25,000
	1,210,106	809,230
	\$ 1,249,910	\$ 984,331

Commitments (note 8)

Approved on behalf of the Board:

 PRESIDENT
 TREASURER

THE BOW VALLEY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

(Operating as "The Bow Valley SPCA")

Statement of Operations

For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues		
Donations	\$ 135,453	\$ 182,942
Fundraising events	83,788	53,412
Grants	177,000	116,900
Investment income	6,549	8,470
	<u>402,790</u>	<u>361,724</u>
Expenditures		
Administration	8,125	5,295
Advertising	9,017	7,271
Audit fees	2,200	2,451
Fundraising events	7,724	9,097
	<u>27,066</u>	<u>24,114</u>
Excess of revenues over expenditures	<u>\$ 375,724</u>	<u>\$ 337,610</u>

THE BOW VALLEY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

(Operating as "The Bow Valley SPCA")

Statement of Changes in Net Assets

For the Years Ended December 31, 2006 and 2005

	Invested in property and equipment	Endowments	Externally restricted net assets	Internally restricted net assets	Unrestricted net assets	2006	2005
Balance, beginning of year	\$ 447,556	\$ -	\$ -	\$ 336,674	\$ 25,000	\$ 809,230	\$ 471,620
Excess of revenues over expenditures	-	-	162,370	-	213,354	375,724	337,610
Additions to property and equipment	378,507	-	-	(378,507)	-	-	-
Endowment contributions	-	25,152	-	-	-	25,152	-
Internal restrictions	-	-	-	218,159	(218,159)	-	-
Balance, end of year	\$ 826,063	\$ 25,152	\$ 162,370	\$ 176,326	\$ 20,195	\$ 1,210,106	\$ 809,230

THE BOW VALLEY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**(Operating as "The Bow Valley SPCA")****Statement of Cash Flows****As at December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Operating activities		
Excess of revenues over expenditures for the year	\$ 375,724	\$ 337,610
Changes in non-cash working capital		
Increase in marketable securities	(20,801)	-
Increase in accrued receivables	(8,504)	(8,399)
Increase in deposits	-	(10,000)
Increase in prepaid expenses	(5,000)	(2)
Increase (decrease) in accounts payable and accrued liabilities	(135,297)	170,799
Cash provided by operating activities	206,122	490,008
Investing activities		
Additions to property and equipment	(378,507)	(359,165)
Cash used for investing activities	(378,507)	(359,165)
Financing activities		
Endowment contributions	25,152	-
Cash provided by financing activities	25,152	-
Net change in cash and cash equivalents	(147,233)	130,843
Cash and cash equivalents, beginning of year	511,696	380,853
Cash and cash equivalents, end of year	\$ 364,463	\$ 511,696
Cash and cash equivalents consists of:		
Cash - unrestricted	41,641	205,660
Cash - restricted	162,370	-
Short term investments	160,452	306,036
	\$ 364,463	\$ 511,696

THE BOW VALLEY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
(Operating as "The Bow Valley SPCA")
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

1. INCORPORATION AND PURPOSE OF THE ORGANIZATION

The Bow Valley Society For The Prevention Of Cruelty To Animals (Operating as "The Bow Valley SPCA") (the "Organization") is committed to creating the Carla Cumming Sojonky Adoption Centre for abandoned dogs and cats in the Bow Valley region of Alberta in the heart of the Canadian Rocky Mountains, which will be a NO-KILL, NO-CAGE facility.

The Organization has entered into a long-term land lease with the Government of Alberta for a nominal amount, and is in the process of constructing the aforementioned adoption centre on that site.

Subsequent to year-end the Organization has hired staff and commenced operating activities at the Carla Cumming Sojonky Adoption Centre.

The Organization was incorporated under the Alberta Societies Act as a registered charity on April 10, 2000. The Organization is a non-profit organization and, under present legislation, is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada for non-profit organizations and include the following significant accounting policies:

(a) Revenue recognition

The Organization 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 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 direct increases to net assets.

(b) Property and equipment

Property and equipment are recorded at cost and are not amortized until they are available for use.

(c) Financial instruments

The carrying value of cash, marketable securities, accrued receivables, deposits, prepaid expenses and accounts payable and accrued liabilities approximate their fair values due to their short term nature.

Unless otherwise noted, it is the board's opinion that the Organization is not exposed to significant interest rate, currency or credit risks arising from its financial instruments.

(d) Use of estimates

The preparation of financial statements in accordance with generally accepted principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from the estimates made by the Organization as additional information becomes available in the future.

THE BOW VALLEY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
(Operating as "The Bow Valley SPCA")
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

(e) Contributed services

The work of the Organization is dependant on and thankful for the voluntary services of many individuals and organizations. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

3. MARKETABLE SECURITIES

	<u>2006</u>	<u>2005</u>
375 Shares of Brookfield Asset Management (FMV - \$21,135)	\$ 20,801	\$ -

4. PROPERTY AND EQUIPMENT

	<u>2006</u>	<u>2005</u>
Building under construction	\$ 826,063	\$ 447,556

5. ENDOWMENTS

The Organization has established the Tavi-Mimi-Rigby Spay and Neuter Endowment Fund. Contributions to this fund are to be maintained for a 10 year period, during which time any investment income earned on the fund is to be used for spaying and neutering purposes. During the year, contributions totalling \$25,152 were made to the fund for a total fund balance as at December 31, 2006 of \$25,152 (2005 - \$NIL).

6. EXTERNALLY RESTRICTED NET ASSETS

As per the rules and regulations set out by the Alberta Gaming and Liquor Commission, funds raised via casinos and raffles may only be used for the purpose of the construction of the Carla Cumming Sojonky Adoption Centre. At December 31, 2006 there was \$162,370 (2005 - \$NIL) externally restricted for such purpose.

7. INTERNALLY RESTRICTED NET ASSETS

The Organization has placed internal restrictions on certain net assets in order to finance the construction of the Carla Cumming Sojonky Adoption Centre. During the year \$218,159 (2005 - \$317,702) was internally restricted to the building fund, while \$378,507 (2005 - \$359,165) was transferred from the building fund for a year-end building fund total of \$176,326 (2005 - \$336,674). The remaining unrestricted net assets are intended to fund operations for the upcoming year.

8. COMMITMENTS

The Organization has entered into a Construction Agreement dated July 29, 2005 with Robert Mitchell Enterprises Ltd. (the "Builder") in order to facilitate the construction of the Carla Cumming Sojonky Adoption Centre. The terms of the agreement provide that the Organization pay for all costs associated with the construction and incurred by the Builder, however the Builder has waived their standard commission of 15% of the total construction cost as a charitable donation to the Organization. The Builder has provided an estimate of the total cost of construction, however only the actual costs incurred to December 31, 2006 totalling \$826,063 (2005 - \$447,556) have been recognized in these financial statements (see note 4).