

AUDITORS' REPORT

To The Members of The Canadian Podiatry Education Foundation:

We have audited the Statement of Financial Position of The Canadian Podiatry Education Foundation as at December 31, 2006 and the Statements of Operations, Changes in Net Assets and Cash Flow 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 misstatements. 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 charitable organizations, the Foundation derives revenue from membership dues, donation and sponsorship revenues, 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 Foundation and we were not able to determine whether any adjustments might be necessary to membership dues, donations and sponsorship revenues, excess of revenues over expenses (expenses over revenues), current 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 the membership dues, donation and sponsorship revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2006 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 British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

CHARTERED ACCOUNTANTS

Vancouver, B.C.

January 31, 2007

THE CANADIAN PODIATRY EDUCATION FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2006 & 2005

|  | 2006              | 2005              |
|--|-------------------|-------------------|
| <b>ASSETS</b>                            |                   |                   |
| Current                                  |                   |                   |
| Bank                                     | \$ 5,982          | \$ 18,878         |
| Marketable securities (Note 3)           | 119,838           | 116,782           |
| Other receivables                        | 300               | 400               |
|  | <u>126,120</u>    | <u>136,060</u>    |
| Student assistance loans receivable      | 259,227           | 246,639           |
| Less: student assistance loans provision | 41,314            | 38,860            |
|  | <u>217,913</u>    | <u>207,779</u>    |
| Capital                                  |                   |                   |
| Equipment                                | 2,779             | 2,779             |
| Less: accumulated depreciation           | 2,117             | 1,952             |
|  | <u>662</u>        | <u>827</u>        |
|  | <u>\$ 344,695</u> | <u>\$ 344,666</u> |
| <b>LIABILITIES</b>                       |                   |                   |
| Current                                  |                   |                   |
| Accounts payable                         | \$ 14,915         | \$ 24,823         |
| <b>NET ASSETS</b>                        |                   |                   |
| Restricted                               |                   |                   |
| For Student Assistance Loans (Note 5)    | 217,912           | 207,779           |
| For future podiatry education facilities |                   |                   |
| - Canadian School Fund (Note 4)          | 27,240            | 27,240            |
| - B.C. School Fund (Note 6)              | 63,709            | 62,449            |
| For Diabetic Dinner Fund (Note 8)        | 1,947             | (828)             |
|  | <u>310,808</u>    | <u>296,640</u>    |
| Unrestricted                             | 18,972            | 23,203            |
|  | <u>329,780</u>    | <u>319,843</u>    |
| Approved by:                             | <u>\$ 344,695</u> | <u>\$ 344,666</u> |
| <br><hr/>                                |                   |                   |
| <br><hr/>                                |                   |                   |
| Directors                                |                   |                   |

See Accompanying Notes

THE CANADIAN PODIATRY EDUCATION FOUNDATION  
 STATEMENT OF CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005

|  | 2006              |                    |                  |                    |                  |                   | 2005              |
|--|-------------------|--------------------|------------------|--------------------|------------------|-------------------|-------------------|
|  | Restricted        |                    |                  |                    | Unrestricted     | Total             | Total             |
|  | Student<br>Loans  | Canadian<br>School | B.C.<br>School   | Diabetic<br>Dinner |                  |                   |                   |
| Net assets,<br>beginning of year                                 | \$ 207,779        | \$ 27,240          | \$ 62,449        | \$ (828)           | \$ 23,203        | \$ 319,843        | \$ 366,238        |
| Excess of revenues over expenses<br>(expenses over revenues)     | -                 | -                  | -                | 2,775              | 7,162            | 9,937             | (46,395)          |
| Reduction in<br>restricted assets in<br>Student Assistance Loans |                   |                    |                  |                    |                  |                   |                   |
| - loan granted   | 6,500             | -                  | -                | -                  | (6,500)          | -                 | -                 |
| - loan repayment   | (6,500)           | -                  | -                | -                  | 6,500            | -                 | -                 |
| - loan interest accrued  | 15,131            | -                  | -                | -                  | (15,131)         | -                 | -                 |
| - provision for bad debt   | (4,998)           | -                  | -                | -                  | 4,998            | -                 | -                 |
| Investment income<br>restricted for<br>B.C. School Fund          | -                 | -                  | 1,260            | -                  | (1,260)          | -                 | -                 |
| Net assets,<br>end of year                                       | <u>\$ 217,912</u> | <u>\$ 27,240</u>   | <u>\$ 63,709</u> | <u>\$ 1,947</u>    | <u>\$ 18,972</u> | <u>\$ 329,780</u> | <u>\$ 319,843</u> |

See Accompanying Notes

THE CANADIAN PODIATRY EDUCATION FOUNDATION  
 STATEMENT OF OPERATIONS  
 FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005

|  | 2006            |                    |                 |                 | 2005               |
|--|-----------------|--------------------|-----------------|-----------------|--------------------|
|  | General         | Diabetic<br>Dinner | Fund<br>Raising | Total           | Total              |
| <b>REVENUES:</b>                                     |                 |                    |                 |                 |                    |
| Membership dues (Note 9)                             | \$ 90           | \$ -               | \$ -            | \$ 90           | \$ 600             |
| Diabetic dinner (Note 8) - sponsorships              | -               | 2,775              | -               | 2,775           | 5,950              |
| - donation in kind                                   | -               | 5,100              | -               | 5,100           | -                  |
| Contributions & donations                            | -               | -                  | 3,245           | 3,245           | 4,450              |
| Interest   | 15,156          | -                  | -               | 15,156          | 15,067             |
| Other investment income                              | 3,056           | -                  | -               | 3,056           | 2,084              |
| Other income   | 420             | -                  | -               | 420             | 504                |
|  | <u>18,722</u>   | <u>7,875</u>       | <u>3,245</u>    | <u>29,842</u>   | <u>28,655</u>      |
| <b>EXPENSES:</b>                                     |                 |                    |                 |                 |                    |
| Audit  | 4,123           | -                  | -               | 4,123           | 3,996              |
| Consulting & other professional fees                 | 986             | -                  | -               | 986             | 943                |
| Office & miscellaneous                               | 1,415           | -                  | -               | 1,415           | 588                |
| Room rental & catering                               | -               | -                  | 2,378           | 2,378           | 3,845              |
| Bank charges   | 650             | -                  | -               | 650             | 498                |
| Provision for uncollectible student assistance loans | 4,998           | -                  | -               | 4,998           | 16,498             |
| Write-off of membership dues revenue (Note 9)        | 90              | -                  | -               | 90              | -                  |
| Contribution to UBC Diabetic Dinner                  | -               | -                  | -               | -               | 5,950              |
| Books distributed at Diabetic Dinner                 | -               | 5,100              | -               | 5,100           | -                  |
| Grant to CCPME (Note 7)                              | -               | -                  | -               | -               | 42,525             |
| Depreciation   | 165             | -                  | -               | 165             | 207                |
|  | <u>12,427</u>   | <u>5,100</u>       | <u>2,378</u>    | <u>19,905</u>   | <u>75,050</u>      |
| <b>EXCESS OF REVENUES OVER EXPENSES</b>              |                 |                    |                 |                 |                    |
| <b>(EXPENSES OVER REVENUES)</b>                      | <u>\$ 6,295</u> | <u>\$ 2,775</u>    | <u>\$ 867</u>   | <u>\$ 9,937</u> | <u>\$ (46,395)</u> |

See Accompanying Notes

THE CANADIAN PODIATRY EDUCATION FOUNDATION  
 CASH FLOW STATEMENT  
 FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005

|   | 2006            | 2005             |
|---|-----------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |                 |                  |
| Excess of revenue over expenses<br>(expenses over revenues) | \$ 9,937        | \$ (46,395)      |
| Add (deduct) items not involving cash:                      |                 |                  |
| Depreciation  | <u>165</u>      | <u>207</u>       |
|   | 10,102          | (46,188)         |
| Student assistance loans interest receivable increase       | (15,131)        | (15,056)         |
| Changes in non-cash working capital items:                  |                 |                  |
| Due from CCPME (increase) decrease                          | -               | 21,327           |
| Other receivables (increase) decrease                       | 100             | 52               |
| Accounts payable increase (decrease)                        | <u>(9,909)</u>  | <u>(5,874)</u>   |
|   | <u>(14,838)</u> | <u>(45,739)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |                 |                  |
| Marketable securities increase                              | 3,056           | 1,994            |
| Student assistance loans granted                            | 6,500           | 4,000            |
| Student assistance loans repayment                          | (6,500)         | (12,250)         |
| Provision for uncollectible student assistance loans        | <u>(4,998)</u>  | <u>(16,498)</u>  |
|   | <u>(1,942)</u>  | <u>(22,754)</u>  |
| Increase (decrease) in cash during the year                 | (12,896)        | (22,985)         |
| Bank, beginning of year                                     | <u>18,878</u>   | <u>41,863</u>    |
| Bank, end of year   | <u>\$ 5,982</u> | <u>\$ 18,878</u> |

See Accompanying Notes

THE CANADIAN PODIATRY EDUCATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005

Note 1 Purposes of the Foundation

The Canadian Podiatry Education Foundation is incorporated under the Society Act of British Columbia as a not-for-profit organization and is a registered charity under the Income Tax Act. Its objectives are to promote awareness of foot health, to encourage students to enter the field of Podiatric Medicine, and to promote and assist in the establishment of education facilities of Podiatric Medicine in Canada.

Note 2 Significant Accounting Policies

Revenue recognition

The Foundation 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. Internally restricted and unrestricted contributions are recognized as revenues 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 increase in net assets.

Income of net assets externally restricted is recognized as revenue in the year in which the related expenses are incurred. Income of net assets internally restricted is recognized as revenue when earned.

Capital assets

Capital assets are recorded at cost.

Capitalization and maintenance

Maintenance and repairs are charged to expense accounts when incurred. The costs of major replacements, extensions or improvements are capitalized as capital assets.

Depreciation

Depreciation of capital assets are calculated using the declining balance method at the rates 20% for equipment; except for the year of acquisition where only half of the above rates will be used.

Comparative figures

The comparative figures had been reclassified to conform to the current year's presentation.

Note 3 Marketable Securities

Marketable securities are carried at the lower of cost or market value. The market value of marketable securities at December 31, 2006 was \$151,864 (December 31, 2005 - \$135,547).

As at December 31, 2006, marketable securities in the amount of \$3,178 (as at December 31, 2005 - \$3,178) were ear-marked for the Canadian Podiatry School Fund (see Note 4).

Note 4 Canadian Podiatry School Fund

The Board of Directors of the Foundation had approved the following transfer of funds, which had been set aside from the net assets as being internally restricted for the Canadian Podiatry School Fund for the future establishment of a podiatric medicine college.

|      |           |
|------|-----------|
| 1988 | \$ 5,660  |
| 1989 | 720       |
| 1990 | 1,170     |
| 1991 | 1,310     |
| 1992 | 1,390     |
| 1993 | 1,470     |
| 1994 | 1,530     |
| 1997 | 4,590     |
| 1998 | 1,500     |
| 1999 | 1,890     |
| 2000 | 1,890     |
| 2001 | 1,970     |
| 2002 | 2,150     |
| 2003 | 2,130     |
| 2004 | (2,130)   |
| 2005 | -         |
| 2006 | -         |
|      | -----     |
|      | \$ 27,240 |
|      | =====     |

#### Note 5 Student Assistance Loans

Financial assistance to qualifying students entering the profession of podiatry is available in the form of interest-free loans. The loans become due six months after the student terminates full time studies, at which time, the loans bear interest at the bank's prime lending rate and are repayable over the following years.

Student Assistance Loans granted for the year ended December 31, 2006 amounted to \$6,500 (for the year ended December 31, 2005 - \$4,000).

For the financing of the Student Assistance Loans, an equal amount of equity has been set aside as restricted to support such loans.

#### Note 6 B.C. School Fund

During 1997, the B.C. Association of Podiatrists transferred to the Foundation marketable securities at fair value of \$45,841 for the restricted purpose of the future establishment of podiatric education facilities in British Columbia.

#### Note 7 B.C. Seminar Fund

During 1998, the Board of Directors of the Foundation approved the establishment of the B.C. Seminar Fund with an initial contribution of \$30,000 to the Fund. The Fund will be funded by proceeds from the annual continuing education seminar. The Fund is designated for the promotion of the profession of Podiatric Medicine and for educational purposes of podiatric physicians in the Province of B.C.

In 2005, the Board of Directors of the Foundation has approved a grant to the Canadian Council On Podiatric Medical Education Inc. (the "CCPME") in the amount of \$42,525 from the Restricted Reserve for B.C. Seminar Fund and also that as of December 31, 2005, the Foundation ceased to maintain the Restricted Reserve for B.C. Seminar Fund. The remaining balance of the Restricted Reserve for B.C. Seminar Fund, after the above grant, in the amount of \$23,093, which represents the cumulative surplus from the Foundation's seminar activities in the years 2002 to 2004, was approved to be transferred to Unrestricted Reserve in 2005. Thereafter, the B.C. Seminar Fund is closed.

#### Note 8 Diabetic Dinner Fund

In year 2002, the Board of Directors of the Foundation approved the establishment of the Diabetic Dinner Fund. For the year ended December 31, 2006, the fund had a net revenue of \$2,775 (For the year ended December 31, 2005 – net revenue of \$Nil).



Note 9 Membership dues

The Foundation received dues from the Canadian Podiatric Medical Association (“CPMA”) on an annual basis. However, in 2004, CPMA proposed to amend its bylaws to cancel such dues to the Foundation effective retroactively to January 1, 2003.

In 2005, the Foundation collected dues of \$100 per member from individual podiatrists who joined the Foundation. In 2006, such membership dues were reduced to \$10 per member. Membership dues revenue amounted to \$90 for the year ended December 31, 2006 (\$600 for the year ended December 31, 2005).

Certain membership dues revenue that were recorded at \$100 per member in the year ended December 31, 2005 were received in the year ended December 31, 2006 at the reduced rate of \$10 per member. Such reduction in membership dues revenue is recorded under the caption of write-off of membership dues revenue in the year ended December 31, 2006.

Note 10 Financial instruments

The Foundation’s financial instruments consist of cash in bank, marketable securities, other receivables, student assistance loans receivable, and accounts payable. The Board of Directors of the Foundation are of the opinion that the Foundation is not exposed to significant interest risk, currency or credit risk arising from these financial instruments.

The fair value of the Foundation’s financial instruments approximate their carrying values, unless otherwise noted.