

NATURESERVE CANADA

AUDITED FINANCIAL STATEMENTS

AT MARCH 31, 2006

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John F. Rubie

CHARTERED ACCOUNTANT

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AUDITOR'S REPORT

To the Board of Directors of NatureServe Canada:

I have audited the statement of financial position of NatureServe Canada as at March 31, 2006 and the statements of operations, net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Peterborough, Ontario

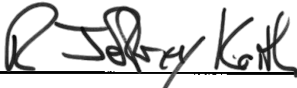
August 4, 2006

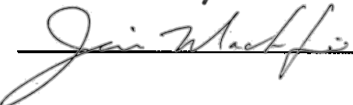

Chartered Accountant

NATURESERVE CANADA**STATEMENT OF FINANCIAL POSITION**
As at March 31, 2006

| | 2006 \$ | 2005 \$ |
|--|----------------|----------------|
| ASSETS | | |
| Current | | |
| Cash | 10,931 | 29,281 |
| Accounts receivable | 243,325 | 199,588 |
| Prepaid expense | 818 | 270 |
| Total Assets | 255,074 | 229,139 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | 217,221 | 145,462 |
| Deferred revenue - Note 4 | 4,500 | 7,500 |
| | 221,721 | 152,962 |
| Net Assets | 33,353 | 76,177 |
| Total Liabilities and Net Assets | 255,074 | 229,139 |

ON BEHALF OF THE BOARD OF DIRECTORS

 _____, Director

 _____, Director

The accompanying notes are an integral part of this financial statement.

John F. Rubie
CHARTERED ACCOUNTANT

NATURESERVE CANADA**STATEMENT OF NET ASSETS**
For The Year Ending March 31, 2006

| | 2006 \$ | 2005 \$ |
|--|------------|------------|
| NET ASSETS | | |
| Balance, beginning of year | 76,177 | 55,603 |
| Excess (deficiency) of revenue over expenditures | (42,824) | 20,574 |
| Balance, end of year | 33,353 | 76,177 |

The accompanying notes are an integral part of this financial statement.

John F. Rubie
CHARTERED ACCOUNTANT

NATURESERVE CANADA**STATEMENT OF OPERATIONS**

For The Year Ending March 31, 2006

| | 2006 \$ | 2005 \$ |
|---|------------|------------|
| Revenue | | |
| Dues | 11,500 | 2,875 |
| Interest | 1,370 | 635 |
| Government funding | 465,298 | 395,939 |
| Total Revenue | 478,168 | 399,449 |
| Expenditures | | |
| Advertising and marketing | 1,575 | - |
| Biotics installation and training | - | 72,102 |
| Bookkeeping and accounting | 6,975 | 6,375 |
| Business taxes, licenses and membership | 30 | 30 |
| Consulting fees | 210,459 | 122,898 |
| Canadian Wildlife Contribution Agreement implementation | 109,385 | 72,000 |
| Parks Canada | 173,102 | 89,191 |
| Conference | - | 8,000 |
| Insurance | 667 | - |
| Interest and bank charges | 117 | 145 |
| Office, telephone and general | 410 | 572 |
| Professional fees | 2,575 | 7,475 |
| Travel, meals and accommodation | 12,792 | 87 |
| Workshop | 2,905 | - |
| Total Expenditures | 520,992 | 378,875 |
| Excess (Deficiency) of Revenue Over Expenditures | (42,824) | 20,574 |

The accompanying notes are an integral part of this financial statement.

John F. Rubie
CHARTERED ACCOUNTANT

NATURESERVE CANADA**STATEMENT OF CASH FLOWS**
For The Year Ending March 31, 2006

| | 2006 | 2005 |
|--|-----------------|---------------|
| | \$ | \$ |
| CASH PROVIDED BY (USED IN) | | |
| Operating Activities | | |
| Excess of revenue over expenditure | (42,824) | 20,574 |
| Changes in non-cash working capital accounts | | |
| Accounts receivable | (43,737) | (109,530) |
| Prepaid expense | (548) | (270) |
| Accounts payable | 71,759 | 107,218 |
| Deferred revenue | (3,000) | 7,500 |
| | (18,350) | 25,492 |
| Increase (Decrease) In Cash | (18,350) | 25,492 |
| Cash, Beginning of Year | 29,281 | 3,789 |
| Cash, End of Year | 10,931 | 29,281 |

The accompanying notes are an integral part of this financial statement.

John F. Rubie
CHARTERED ACCOUNTANT

NATURESERVE CANADA

NOTES TO THE FINANCIAL STATEMENTS For The Year Ending March 31, 2006

NOTE 1: PURPOSE OF THE ORGANIZATION

NatureServe Canada is a not-for-profit organization whose goal is to be the authoritative source for accessible, current and reliable information on the distribution and abundance of Canada's biodiversity by building dynamic, accurate and comprehensive national, international and ecoregional databases on the distribution, character and conservation status of species and communities at risk in Canada and North America. NatureServe Canada is incorporated under the Canada Corporations Act as a not-for-profit organization.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NatureServe Canada uses the deferral method of accounting.

Realization of Revenues and Expenses

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including investment income, are recorded as received.

Capital Assets

Capital assets purchased are expensed in the year of acquisition.

Income Taxes

The organization qualifies as a non-profit organization as defined by the Federal and Ontario Income Tax Acts and, as such, is not subject to Federal or Provincial income taxes.

Donated Materials and Services

No amounts have been recorded in the current year's financial statements for donated materials and services.

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Use of Accounting 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 expenditures during the reporting periods. Actual results could differ from those estimates.

NOTE 3: CAPITAL ASSETS

No capital assets were expensed to the Statement of Operations in the year.

NATURESERVE CANADA**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ending March 31, 2006**

NOTE 4: DEFERRED REVENUE

Deferred revenue relates to membership dues received for the subsequent fiscal year.