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**MORDEN AREA FOUNDATION INC.**  
**FINANCIAL STATEMENTS**  
**August 31, 2011**

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## **INDEPENDENT AUDITORS' REPORT**

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To the members of **Morden Area Foundation Inc.**,

We have audited the accompanying financial statements of Morden Area Foundation Inc., which comprise the statement of financial position as at August 31, 2011, and the statements of income (loss) and net assets 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 generally accepted accounting principles, 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.

### **Auditors' 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 auditors' 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 Morden Area Foundation Inc. as at August 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Gislason Targownik Peters*

**CERTIFIED GENERAL ACCOUNTANTS**

Winkler, Manitoba  
December 13, 2011

**MORDEN AREA FOUNDATION INC.**  
**Statement of Income (Loss)**  
**For the year ended August 31, 2011**

|  | 2011               | 2010             |
|--|--------------------|------------------|
| <b>REVENUE</b>   |                    |                  |
| Donations  | \$ 15,962          | \$ 16,295        |
| Fundraising  | 235                | 4,846            |
| Grant income   | 4,106              | 2,738            |
| Investment income                                      | 50,856             | 54,376           |
| Miscellaneous income                                   | 252                | 957              |
|  | <b>71,411</b>      | <b>79,212</b>    |
| <b>OPERATING EXPENSES</b>                              |                    |                  |
| Advertising and promotion                              | 3,630              | 5,864            |
| Administration and other                               | 9,214              | 16,313           |
| Investment management fees                             | 1,500              | 1,500            |
| Grants awarded   | 42,510             | 20,661           |
| Annual report  | 513                | 1,266            |
| Conference expense                                     | 5,056              | 157              |
| Wages  | 12,803             | 12,439           |
|  | <b>75,226</b>      | <b>58,200</b>    |
| <b>EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS</b> | <b>(3,815)</b>     | <b>21,012</b>    |
| Unrealized gains (losses) (Note 3)                     | (14,232)           | 42,306           |
| <b>NET INCOME (LOSS)</b>                               | <b>\$ (18,047)</b> | <b>\$ 63,318</b> |

See accompanying Notes to Financial Statements and Auditors' Report

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**MORDEN AREA FOUNDATION INC.**  
**Statement of Net Assets**  
**For the year ended August 31, 2011**

|                                 | Unrestricted | Restricted   | 2011         | 2010         |
|---------------------------------|--------------|--------------|--------------|--------------|
| <b>NET ASSETS - Beginning</b>   | \$ 57,461    | \$ 1,040,848 | \$ 1,098,309 | \$ 964,873   |
| Excess of revenue over expenses | (18,047)     | -            | (18,047)     | 63,318       |
| Endowment donations received    | -            | 56,695       | 56,695       | 70,119       |
| Inflation reserve appropriation | (20,700)     | 20,700       | -            | -            |
| <b>NET ASSETS - Ending</b>      | \$ 18,714    | \$ 1,118,243 | \$ 1,136,957 | \$ 1,098,309 |

See accompanying Notes to Financial Statements and Auditors' Report

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**MORDEN AREA FOUNDATION INC.**  
**Statement of Financial Position**  
**As at August 31, 2011**

|  | 2011                | 2010         |
|--|---------------------|--------------|
| <b>ASSETS</b>                                |                     |              |
| <b>CURRENT ASSETS</b>                        |                     |              |
| Cash   | \$ 48,174           | \$ 71,581    |
| GST receivable                               | 252                 | 452          |
|  | <b>48,426</b>       | 72,033       |
| <b>INVESTMENTS (Note 3)</b>                  | <b>1,118,135</b>    | 1,060,541    |
|  | <b>\$ 1,166,561</b> | \$ 1,132,574 |
| <b>LIABILITIES</b>                           |                     |              |
| <b>CURRENT LIABILITIES</b>                   |                     |              |
| Grants payable                               | \$ 29,604           | \$ 34,265    |
| <b>NET ASSETS</b>                            |                     |              |
| Unrestricted                                 | 18,714              | 57,461       |
| Restricted - for endowment purposes (Note 4) | 1,118,243           | 1,040,848    |
|  | <b>1,136,957</b>    | 1,098,309    |
|  | <b>\$ 1,166,561</b> | \$ 1,132,574 |

**APPROVED ON BEHALF OF THE BOARD:**

\_\_\_\_\_ Trustee

\_\_\_\_\_ Trustee

See accompanying Notes to Financial Statements and Auditors' Report

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**MORDEN AREA FOUNDATION INC.**  
**Notes to the Financial Statements**  
**For the year ended August 31, 2011**

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**1. PURPOSE OF THE FOUNDATION**

The Morden Area Foundation Inc. is a philanthropic organization, organized and operated primarily as a permanent collection of endowment funds, the earnings of which are used for the long-term benefit of the community. The organization is a registered charity and is exempt from income tax under provisions of the Income Tax Act.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) Revenue Recognition

The foundation follows the deferral method of accounting for contributions.

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 in restricted net assets. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(b) Capital assets

Capital assets are expensed in the year of acquisition. During the year, equipment purchases of \$NIL (2010 - \$NIL) were recorded in administration and other expense.

(c) Financial instruments

The foundation's financial instruments consist of cash, receivables, investments and payables. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency, or credit risk arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

(d) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities as at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. These estimates are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates in future periods could be significant.

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**MORDEN AREA FOUNDATION INC.**  
**Notes to the Financial Statements**  
**For the year ended August 31, 2011**

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(e) Inflation Reserve Appropriation

In order to give partial recognition to the effects of inflation on the purchasing power of the foundation's investments, a portion of investment income is capitalized as part of restricted net assets.

**3. INVESTMENTS**

|                         | 2011                | 2010                |
|-------------------------|---------------------|---------------------|
| Fixed income securities | \$ 510,112          | \$ 689,299          |
| Equities                | 608,023             | 371,242             |
|                         | <b>\$ 1,118,135</b> | <b>\$ 1,060,541</b> |

Investments are classified as held-for-trading and are recorded at fair value. Fair values are determined using quoted market prices.

The fixed income securities consist of income funds, bonds and debentures with maturity dates ranging from June 2, 2014 to November 20, 2020. Equities consist of trust fund units and shares in public companies.

Unrealized losses of \$14,232 (2010 - gains of \$42,306) are presented in the statement of operations.

**MORDEN AREA FOUNDATION INC.**  
**Notes to the Financial Statements**  
**For the year ended August 31, 2011**

**4. ENDOWMENT FUNDS**

|   | 2010                | 2009                |
|---|---------------------|---------------------|
| General Endowment Fund                    | \$ 624,129          | \$ 587,125          |
| Health Education Fund                     | 1,866               | 1,866               |
| Caring and Sharing Committee Fund         | 35,583              | 35,273              |
| Doug Cram Memorial Bursary Fund           | 8,857               | 8,707               |
| Recreation and Sport Fund                 | 49,077              | 48,877              |
| South Central Regional Library Fund       | 16,361              | 15,261              |
| Youth in Philanthropy Fund                | 6,363               | 6,263               |
| Town of Morden Fund                       | 43,201              | 38,201              |
| Administrative Endowment Fund             | 160,132             | 156,342             |
| Ivan Kletke Memorial Century Club         | 4,084               | 3,884               |
| Loreena McKennitt Fund                    | 2,815               | 2,815               |
| Kinsmen and Kinette Bursary Fund          | 3,300               | 3,300               |
| Leonard Krueger Bursary Fund              | 1,000               | 1,000               |
| Richard and Emma Krueger Scholarship Fund | 7,700               | 7,700               |
| Diane McAndrew Scholarship Fund           | 6,348               | 6,223               |
| Morden Area Foundation Scholarship Fund   | 9,079               | 8,029               |
| Morden Festival of Arts Scholarship Fund  | 5,625               | 4,025               |
| Morden Masonic Lodge Scholarship Fund     | 14,045              | 14,045              |
| Morden Student Counsel Bursary Fund       | 2,725               | 2,725               |
| John and Isabel Reichert Scholarship Fund | 18,600              | 18,550              |
| Victoria Rebekah Lodge Bursary Fund       | 2,450               | 2,450               |
| Jake Kenneth Warkentin Scholarship Fund   | 9,525               | 8,025               |
| Skateboard Park Fund                      | 7,176               | 6,676               |
| Pembina Hills Arts Council Fund           | 450                 | 450                 |
| Pembina Valley Humane Society Fund        | 11,987              | 401                 |
| Clark Elder Memorial fund                 | 5,230               | 2,350               |
| Arklie Family Fund                        | 7,400               | 7,150               |
| United Way Fund                           | 40,000              | 40,000              |
| Lautenschlager Family Fund                | 2,420               | 2,420               |
| Evenson Family Fund                       | 715                 | 715                 |
| Arts Stabilization Manitoba Fund          | 10,000              | -                   |
|   | <b>\$ 1,118,243</b> | <b>\$ 1,040,848</b> |



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**MORDEN AREA FOUNDATION INC.**  
**Notes to the Financial Statements**  
**For the year ended August 31, 2011**

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**5. STATEMENT OF CASH FLOW**

A statement of cash flow was not prepared as the information is readily apparent from the other financial statements.

**6. FUTURE ACCOUNTING CHANGES**

The Canadian Accounting Standards Board (AcSB) has adopted a strategic plan for the direction of accounting standards in Canada. The AcSB and the Public Sector Accounting Board (PSAB) have issued new accounting standards for private and government not-for-profit organizations (NPOs) in Canada. For private NPOs, they have a choice of applying International Financial Reporting Standards (IFRS) or Accounting Standards for NPOs (which consists primarily of the Accounting Standards for Private Entities together with the current 4400 series of NPO standards with some minor changes). For government (public sector) NPOs, they have a choice of the Public Sector Accounting Standards or the Public Sector Accounting Standards together with the current series of NPO standards with some minor changes.

NPOs are required to adopt the new standards for year ends commencing on or after January 1, 2012; early adoption is permitted. Until the date of transition to the new standards, all NPOs will continue to follow the current Accounting Standards Part V - Pre-Changeover Standards.