

Morden Area Foundation Inc.

Financial Statements

August 31, 2017

Morden Area Foundation Inc.
Table of Contents
August 31, 2017

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Morden Area Foundation Inc.,

We have audited the accompanying financial statements of the **Morden Area Foundation Inc.**, which comprise the statement of financial position as at **August 31, 2017**, and the statements of operations, changes in net assets and cash flows 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 accounting standards for not-for-profit organizations, 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.

Auditor's 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making risk assessments, the auditor considers the internal control relevant to the entity's preparation of the financial statements in order to design 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 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, 2017**, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Morden, Manitoba
December 13, 2017

K. J. Giesbrecht, CPA
Chartered Professional Accountant

Morden Area Foundation Inc.
Statement of Financial Position

August 31

2017

2016

Assets

Current

Cash and cash equivalents	\$ 74,200	\$ 26,455
Goods and services tax receivable	440	356
	<u>74,640</u>	<u>26,811</u>

Investments (Note 4)	<u>1,624,986</u>	<u>1,499,085</u>
	<u>\$ 1,699,626</u>	<u>\$ 1,525,896</u>

Liabilities

Current

Grants payable	\$ 25,296	\$ 20,202
----------------	-----------	-----------

Net Assets

Unrestricted	1,581	(8,826)
Restricted - for endowment purposes (Note 6)	<u>1,672,749</u>	<u>1,514,520</u>
	<u>1,674,330</u>	<u>1,505,694</u>
	<u>\$ 1,699,626</u>	<u>\$ 1,525,896</u>

Approved on behalf of the Board:

 Director

 Director

Morden Area Foundation Inc.

Statement of Operations

For the year ended August 31

2017

2016

Revenue

Investment income	\$ 80,828	\$ 87,386
Grant income	11,372	28,600
Goods and Services Tax rebate	440	356
Fundraising and sponsorship	17,306	600
	<u>109,946</u>	<u>116,942</u>

Operating expenses

Administration and other	10,456	9,748
Advertising and promotion	13,137	10,620
Conference expenses	3,034	710
Grants awarded	55,044	71,442
Wages	17,868	17,651
	<u>99,539</u>	<u>110,171</u>

Increase in unrestricted net assets from operations	<u>\$ 10,407</u>	<u>\$ 6,771</u>
---	------------------	-----------------

Morden Area Foundation Inc.
Statement of Changes in Net Assets

For the year ended August 31

	Unrestricted	Restricted	2017	2016
Net assets, beginning of year	\$ (8,826)	\$ 1,514,520	\$ 1,505,694	\$ 1,388,891
Increase in unrestricted net assets from operations	10,407	-	10,407	6,771
Net change in endowment funds		(5,247)	(11,878)	(11,878)
Endowment donations received	-	163,476	163,476	121,910
Net assets, end of year	\$ 1,581	\$ 1,672,749	\$ 1,667,699	\$ 1,505,694

Morden Area Foundation Inc.
Statement of Cash Flow

For the year ended August 31

	2017	2016
Operating activities		
Increase in unrestricted net assets from operations	\$ 10,407	\$ 6,771
Non-cash items affecting operations:		
Net change in non-cash working capital	<u>5,010</u>	<u>9,175</u>
	15,417	15,946
Endowment fund transactions		
Endowment gifts received	<u>163,476</u>	<u>121,910</u>
Investing activities		
Net increase in long-term investments	<u>(131,148)</u>	<u>(164,868)</u>
Increase (decrease) in cash and equivalents	47,745	(27,012)
Cash and cash equivalents, beginning of year	<u>26,455</u>	<u>53,467</u>
Cash and cash equivalents, end of year	<u>\$ 74,200</u>	<u>\$ 26,455</u>

Morden Area Foundation Inc.

Notes to the Financial Statements

August 31, 2017

1. Purpose of the organization

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

2. Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

Capital assets

Capital assets are recorded as an expense in the year of acquisition.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and unrestricted balances with banks.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair market value, contributed services are not recognized in the financial statements.

Contributed services which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments in marketable securities quoted in an active market, which the Foundation has chosen to measure at fair value. The Foundation's investments in marketable securities are comprised of bonds, preferred shares and common shares. The fair value is based on published prices in an active market at yearend. Purchases and sales of investments are recorded at the trade date and transaction costs are expensed as incurred and recorded in the Statement of Operations. Changes in unrealized gains and losses are reflected in the Statement of Operations.

Grant commitments

Grant commitments are recorded in the year approved. Multi-year plans to support community initiatives are subject to annual board approval of that respective year's grant amount.

Morden Area Foundation Inc.

Notes to the Financial Statements

August 31, 2017

2. Summary of significant accounting policies (continued)

Investments

The Foundation uses the fair value method to record investment traded on an active market. Fair values are determined using quoted market prices. Unrealized gains and losses are reported as increases or decreases to the restricted net assets to which they relate.

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. Investment income is recognized as unrestricted revenue when earned.

Use of estimates

The preparation of the financial statements in the conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

3. Investment policy

In accordance with the Foundation's mission to benefit the community by supporting not-for-profit, charitable, educational and cultural organizations, the Board of Directors has developed an Investment Policy, which endeavors to protect the purchasing power of the funds entrusted to the Foundation while achieving maximum returns consistent with prudent investment. The Foundation's investment policy applies to all investments and includes restrictions regarding the maximum amount of equity holdings as well as the maximum and nature of bond investments.

Morden Area Foundation Inc.

Notes to the Financial Statements

August 31, 2017

4. Investments	<u>2017</u>	<u>2016</u>
Access Credit Union Limited - GIC	\$ 15,281	\$ 58,064
Funds managed by the Winnipeg Foundation	<u>1,609,705</u>	<u>1,441,021</u>
	<u>\$ 1,624,986</u>	<u>\$ 1,499,085</u>

Funds managed by the Winnipeg Foundation are invested through its consolidated investment policies, including bonds, debentures, preferred shares and common shares.

5. Risk management

The Foundation actively manages the risks that arise from its use of financial instruments, including liquidity, credit and market risk. The Foundation adheres to an investment policy that outlines the objectives, constraints and parameters related to its investing activities. The policy prescribes limits around the quality and concentration of investments held by the Foundation. The Foundation's investments are regularly reviewed to ensure all activities adhere to the investment policy. The Foundation does not engage in hedging transactions.

Liquidity risk

Liquidity risk is the risk that the foundation cannot meet a demand for cash or fund its obligations as they come due. A key liquidity requirement for the foundation is grand commitments. Liquidity risk is managed by investing the majority of the foundation's assets in investments that are traded in an active market and can be readily liquidated. In addition, the foundation aims to retain sufficient cash positions to maintain liquidity. The foundation's investments are considered readily realizable and liquid, therefore the foundation's risk is considered minimal.

Credit risk

Credit risk is the potential for financial loss should a counterparty in a transaction fail to meet its obligations. The Foundation's investments in bonds are subject to credit risk. The maximum exposure to credit risk on these financial instruments is their carrying value. The investment policy of the Foundation mandates that the bond portfolio have a minimum credit rating of A at the time of purchase. The Foundation monitors its credit risk management policies regularly to evaluate their effectiveness.

Market risk

Market risk is the potential for financial loss to the foundation from changes in the values of its financial instruments due to changes in interest rates or equity prices. The investments of the Foundation are subjected to normal market fluctuations and to the risk inherent in investment in capital markets.

Morden Area Foundation Inc.

Notes to the Financial Statements

August 31, 2017

6. Endowment Funds	<u>2017</u>	<u>2016</u>
General Endowment Fund	641,265	584,478
2014 Power Smart Manitoba Winter Games Legacy Fund	79,030	78,966
Administrative Endowment Fund	199,780	184,057
Arkie Family Fund	-	8,731
Arts Stabilization Manitoba Fund	12,110	12,112
Bill and Linda Fehr Scholarship Fund	10,375	10,377
Canadian Fossil Discovery Centre Development Fund	30,950	20,723
Caring and Sharing Committee Fund	45,561	43,825
City of Morden Fund	71,674	66,389
Clark Elder Memorial Fund	30,657	29,974
Diane McAndrew Scholarship Fund	8,251	8,236
Doug Cram Memorial Bursary Fund	15,655	9,812
Evenson Family Fund	-	1,204
Health Education Fund	1,939	1,940
Ivan Kletke Memorial Century Club Fund	5,237	5,134
Jake Kenneth Warkentin Scholarship Fund	9,361	9,353
John and Isabel Reichert Scholarship Fund	24,026	24,007
Krueger Scholarship Fund	6,017	6,017
Lautenschlager Family Fund	6,964	5,905
Legion House Walkway Memorial Fund	-	2,117
Linda Wilson Skateboard Park Fund	6,908	6,910
Loreena McKennitt Fund	2,936	2,937
Menzies Family Fund	48,630	48,379
Morden Area Foundation Managed Fund	84,829	37,710
Morden Area Foundation Scholarship Fund	62,021	60,825
Morden Corn & Apple Festival Fund	9,744	-
Morden Festival of Arts Scholarship Fund	6,441	6,439
Morden Masonic Lodge Scholarship Fund	18,311	18,310
Morden Student Council Bursary Fund	3,988	3,986
Pembina Hills Art Council Fund	771	743
Pembina Valley Humane Society Fund	14,274	14,277
Recreation and Sport Fund	6,309	50,046
South Central Cancer Resource Fund	49,957	-
South Central Regional Library Fund	19,743	19,746
United Way Fund	41,228	41,233
Victoria Rebekah Lodge Bursary Fund	2,874	2,865
Woman's Giving Circle Fund	78,880	70,567
Youth in Philanthropy Fund	16,053	16,190
	<u>\$ 1,672,749</u>	<u>\$ 1,514,520</u>