

VIRDEN AREA FOUNDATION INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

VIRDEN AREA FOUNDATION INC.
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MASSON & ASSOCIATES

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AUDITORS' REPORT

To the Board Members of:
Virden Area Foundation Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Virden Area Foundation Inc., which comprise of the statement of financial position as at December 31, 2017 and the statement of operations, statement of change in net assets, and statement of 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.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of Virden Area Foundation Inc. as at December 31, 2017 and of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Virden, MB
June 14, 2018

Masson & Associates

Chartered Professional Accountant

VIRDEN AREA FOUNDATION INC.

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

DECEMBER 31	2017	2016
ASSETS		
CURRENT		
Cash	\$ 141,370	\$ 150,516
Short-term investments (Note 2)	223,771	225,321
Accounts receivable (Note 3)	11,190	11,473
Prepays	232	-
	376,563	387,310
LONG TERM		
Long-term investments (Note 4)	1,656,777	1,562,360
	\$ 2,033,340	\$ 1,949,670
LIABILITIES & NET ASSETS		
CURRENT		
Accounts payable (Note 5)	\$ 8,430	\$ 5,773
NET ASSETS		
Restricted for endowment purposes (Note 8)	1,471,685	1,448,477
Unrestricted	553,225	495,420
	2,024,910	1,943,897
	\$ 2,033,340	\$ 1,949,670

Approved on Behalf of the Board


_____ Director


_____ Director

See Notes to Financial Statements

VIRDEN AREA FOUNDATION INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Budget	2017	2016
REVENUE			
Investment Income	\$ 70,000	\$ 74,131	\$ 73,816
Grants	3,200	8,370	2,263
Other	-	1,800	139
	73,200	84,301	76,218
GRANT EXPENSES			
Arts and culture	11,000	16,840	11,420
Education	11,000	8,631	17,000
Environment	11,000	1,223	291
Health and social services	11,000	22,000	-
Sports and recreation	11,000	23,500	18,500
	55,000	72,194	47,211
OTHER EXPENSES			
Advertising	3,590	2,572	661
Conference and travel	3,200	2,619	546
Insurance	650	598	598
Interest and bank charges	30	40	30
Investment management fees	7,900	10,341	8,424
Memberships and subscriptions	600	628	593
Office	1,300	1,065	1,999
Professional fees	2,200	2,014	2,014
Salaries and benefits	4,980	4,869	4,883
	24,450	24,746	19,748
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS			
	\$ (6,250)	\$ (12,639)	\$ 9,259
OTHER ITEMS			
Realized gain on investments	-	15,550	15,179
Unrealized gain (loss) on investments	-	54,894	24,662
	-	70,444	39,841
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	\$ (6,250)	\$ 57,805	\$ 49,100

See Notes to Financial Statements

VIRDEN AREA FOUNDATION INC.

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

	Restricted for Endowment Purposes	Unrestricted	2017	2016
Balance, beginning of year	\$ 1,448,477	\$ 495,420	\$ 1,943,897	\$ 1,819,847
Excess of revenues over expenses	-	57,805	57,805	49,100
Endowment contributions	23,208	-	23,208	74,950
Balance, end of year	\$ 1,471,685	\$ 553,225	\$ 2,024,910	\$ 1,943,897

See Notes to Financial Statements

VIRDEN AREA FOUNDATION INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from donations and investment income	\$ 100,134	\$ 90,374
Cash paid to suppliers and grant recipients	(94,475)	(66,867)
New gifts	23,208	74,950
Interest paid	(40)	(30)
	28,827	98,427
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(147,973)	(216,690)
Proceeds on disposal of investments	110,000	149,215
	(37,973)	(67,475)
CHANGE IN CASH	(9,146)	30,952
CASH, BEGINNING OF YEAR	150,516	119,564
CASH, END OF YEAR	\$ 141,370	\$ 150,516

See Notes to Financial Statements

VIRDEN AREA FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. ENTITY DEFINITION

The Virden Area Foundation Inc. was established for the purpose of attracting gifts of capital for the development of an endowment fund and the making of grants to charitable organizations for worthwhile community projects. The organization is exempt from taxes under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following are considered to be the more significant accounting policies.

Short-term investments

Short-term investments represent term deposits with original terms of one year and have maturity dates ranging from May 2018 to September 2018. Interest on these term deposits ranges from 1.3% to 2.8% (2016 - 1.3% to 3.2%) and are held with Sunrise Credit Union Ltd. These short-term investments are held at the lower of cost and fair market value.

Revenue Recognition

The Virden Area Foundation Inc. follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets. Grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest is recorded when earned.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from management's best estimates as additional information becomes available in the future.

VIRDEN AREA FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2017

Capital Assets

Capital assets are expensed when purchased. There were no capital asset purchases during the year.

Financial Instruments

The organization initially measures its financial assets and financial liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, short-term investments, accounts receivable, and long-term investments.

Financial liabilities measured at amortized cost include account payables.

3. ACCOUNTS RECEIVABLE

	2017	2016
Accrued investment income	\$ 10,984	\$ 11,176
GST	206	297
	\$ 11,190	\$ 11,473

4. LONG-TERM INVESTMENTS

	2017	2016
Term deposits	\$ 346,135	\$ 454,585
The Winnipeg Foundation	1,279,948	1,077,081
Royalty Trust Units	30,686	30,686
Canadian Silver Dollars	8	8
	\$ 1,656,777	\$ 1,562,360

The term deposits disclosed above consists of five fixed term deposits with maturity dates ranging from July 2019 to July 2020. Interest on these term deposits ranges from 2.0% to 2.5% (2016 - 2.1% - 2.5%) and are held with Sunrise Credit Union. The Winnipeg Foundation investment is managed by The Winnipeg Foundation and earns interest at varying rates. Royalty Trust Units consist of shares in various Royalty Trusts which earn income at varying rates, dependent on the production of the underlying mineral rights. These long-term investments are held at the lower of cost and fair market value.

VIRDEN AREA FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2017

5. ACCOUNTS PAYABLE

	2017	2016
Accrued audit fee	\$ 1,989	\$ 1,989
Accrued grants	5,477	1,708
Government remittances	43	47
Trade	523	1,631
Wages	398	398
	\$ 8,430	\$ 5,773

6. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments.

Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due. It stems from the possibility of a delay in realizing the fair value of financial instruments.

The organization manages its liquidity risk by constantly monitoring cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

Trade accounts payable and accrued liabilities are generally repaid within one month of receipt of invoice.

Interest rate risk

The Foundation is exposed to interest rate risk on its fixed rate financial instruments. Fixed-rate instruments subject the organization to a fair value risk. The Foundation is exposed to this type of risk as a result of investments held with Sunrise Credit Union Ltd. However, the risk associated with these investments is reduced to a minimum due to the interest rates being close to market rates.

The Foundation is exposed to interest rate on its floating interest rate financial instruments. Floating rate instruments subject the Foundation to a cash flow risk. The Foundation is exposed to this type of risk as a result of investments held in the Winnipeg Foundation. However, the risk associated with the investments is reduced to a minimum due to the Winnipeg Foundation regularly rebalancing its portfolio.

Price risk

Other price risk associated with investments held in the Winnipeg Foundation is the risk that their fair value will fluctuate because of changes in market prices. The risk is reduced to a minimum, since the Winnipeg Foundation regularly rebalances its portfolio.

VIRDEN AREA FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

7. COMMITMENTS

The Virden Area Foundation has made a commitment to the Virden Skate Park to contribute \$25,000 once construction on the project has started.

8. RESTRICTIONS ON NET ASSETS

The board of directors has externally restricted net assets restricted for endowment purposes of \$1,471,685 (2016 - \$1,448,477). These externally restricted amounts are to be maintained with the income generated used for the purpose of disbursing funds in the form of grants.