

**VIRDEN AREA FOUNDATION INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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# MASSON & ASSOCIATES

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## INDEPENDENT AUDITORS' REPORT

To the Members of:  
Virden Area Foundation Inc.

### **Qualified Opinion**

I have audited the accompanying financial statements of Virden Area Foundation Inc. (the "Entity"), which comprise the statement of financial position as at December 31, 2019 and the statement of operations, statement of change in net assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of Virden Area Foundation Inc. as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Qualified Opinion**

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, I was not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2019, and 2018, current assets as at December 31, 2019, and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years. My audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

*Masson & Associates*


**Virden, MB  
October 1, 2020**

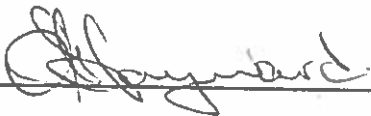
**Chartered Professional Accountant Ltd.**

**VIRDEN AREA FOUNDATION INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2019**

	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 295,930	\$ 138,938
Short-term investments (Note 2)	110,000	351,456
Accounts receivable (Note 3)	11,455	18,052
Prepays	242	237
	<b>417,627</b>	<b>508,683</b>
<b>Long-term investments (Note 4)</b>	<b>2,061,817</b>	<b>1,686,167</b>
	<b>\$ 2,479,444</b>	<b>\$ 2,194,850</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 10,170	\$ 8,214
<b>Net assets</b>		
Restricted for endowment purposes (Note 8)	1,777,076	1,699,644
Unrestricted	692,198	486,992
	<b>2,469,274</b>	<b>2,186,636</b>
	<b>\$ 2,479,444</b>	<b>\$ 2,194,850</b>

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, 2019**

	2019	2018
<b>Revenue</b>		
Investment Income	\$ 152,411	\$ 110,901
Grants	9,273	2,400
Fundraising (net of expenses)	1,838	-
Sponsorships	1,800	-
	<u>165,322</u>	<u>113,301</u>
<b>Grant expenses</b>		
Arts and culture	4,359	6,360
Education	4,000	5,000
Environment	362	235
Health and social services	72,500	4,700
Sports and recreation	25,000	55,500
	<u>106,221</u>	<u>71,795</u>
<b>Other expenses</b>		
Advertising	2,036	951
Conference and travel	125	502
Insurance	686	653
Interest and bank charges	50	35
Investment management fees	14,574	11,047
Memberships and subscriptions	690	665
Office	1,360	784
Professional fees	2,448	2,014
Salaries and benefits	4,958	4,944
	<u>26,927</u>	<u>21,595</u>
<b>Excess of revenues over expenditures from operations</b>	<b>\$ 32,174</b>	<b>\$ 19,911</b>
<b>Other items</b>		
Realized gain on investments	34,719	33,484
Unrealized gain (loss) on investments	138,313	(119,629)
	<u>173,032</u>	<u>(86,145)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 205,206</b>	<b>\$ (66,234)</b>

See Notes to Financial Statements

**VIRDEN AREA FOUNDATION INC.**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Restricted for Endowment Purposes	Unrestricted	2019	2018
<b>Balance, beginning of year</b>	\$ 1,699,644	\$ 486,992	\$ 2,186,636	\$ 2,024,910
Excess of revenues over expenses	-	205,206	205,206	(66,234)
Endowment contributions	77,432	-	77,432	227,960
<b>Balance, end of year</b>	<b>\$ 1,777,076</b>	<b>\$ 692,198</b>	<b>\$ 2,469,274</b>	<b>\$ 2,186,636</b>

See Notes to Financial Statements

**VIRDEN AREA FOUNDATION INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
<b>Operating activities</b>		
Excess of revenue over expenditures	\$ 205,206	\$ (66,234)
Unrealized gain on investments	(138,313)	119,629
Endowment contributions	77,432	227,960
	<b>144,325</b>	<b>281,355</b>
Changes in non-cash operating working capital items:		
Accounts receivable	6,599	(6,862)
Accounts payable and accrued liabilities	1,954	(216)
Prepaid expenses	(5)	(5)
	<b>152,873</b>	<b>274,272</b>
<b>Investing activities</b>		
Net purchases of investments	4,119	(276,704)
	<b>4,119</b>	<b>(276,704)</b>
<b>Change in cash</b>	<b>156,992</b>	<b>(2,432)</b>
<b>Cash, beginning of year</b>	<b>138,938</b>	<b>141,370</b>
<b>Cash, end of year</b>	<b>\$ 295,930</b>	<b>\$ 138,938</b>

See Notes to Financial Statements



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**VIRDEN AREA FOUNDATION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**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. 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 date of July 2020. Interest on these term deposits are 2.5% (2018 - 1.3% to 2.5%) 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.

**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.

**VIRDEN AREA FOUNDATION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**3. Accounts receivable**

	2019	2018
Accrued investment income	\$ 10,832	\$ 17,740
GST	623	312
	<b>\$ 11,455</b>	<b>\$ 18,052</b>

**4. Long-term investments**

	2019	2018
The Winnipeg Foundation	\$ 1,822,352	\$ 1,427,023
Term deposits	208,771	228,450
Royalty Trust Units	30,686	30,686
Canadian Silver Dollars	8	8
	<b>\$ 2,061,817</b>	<b>\$ 1,686,167</b>

The term deposits disclosed above consists of five fixed term deposits with maturity dates ranging from July 2023 to September 2024. Interest on these term deposits ranges from 1.9% to 3.1% ( 2018 - 2.5% - 3.1%) 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.

**5. Accounts payable and accrued liabilities**

	2019	2018
Accrued audit fee	\$ 2,408	\$ 1,989
Accrued grants	6,649	5,103
Government remittances	229	76
Trade	548	710
Wages	336	336
	<b>\$ 10,170</b>	<b>\$ 8,214</b>

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**VIRDEN AREA FOUNDATION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**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.

**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.

The Virden Area Foundation has also made a commitment to the Virden Spray Park project to contribute \$25,000 once the project is closer to completion.

**8. Restrictions on net assets**

The board of directors has externally restricted net assets restricted for endowment purposes of \$1,777,076 (2018 - \$1,699,644). These externally restricted amounts are to be maintained with the income generated used for the purpose of disbursing funds in the form of grants.

**9. Subsequent events**

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the organization's environment and in the global markets due to the possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the organization's operations. The extent of the impact of this outbreak and related containment measures on the organization's operations cannot be reliably estimated at this time.