

VIRDEN AREA COMMUNITY FOUNDATION INC.

FINANCIAL STATEMENTS

For the year ended December 31, 2015

VIRDEN AREA COMMUNITY FOUNDATION INC.
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STATEMENT OF RESPONSIBILITY

The accompanying financial statements are the responsibility of the Board Members of the Virden Area Community Foundation Inc. and have been prepared in compliance with legislation, and in accordance with Canadian accounting standards for not-for-profit organizations.

In carrying out its responsibilities, the Board Members maintain appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board Members of the organization met with the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

Sensus Partnership of Chartered Accountants, as the organization's appointed external auditors, have audited the financial statements. The Auditors' Report is addressed to the Board Members and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the organization in accordance with Canadian accounting standards for not-for-profit organizations.

Board Member

INDEPENDENT AUDITORS' REPORT

**To the Board Members of:
Virден Area Foundation Inc.
Virден, Manitoba**

Report on the Financial Statements

We have audited the accompanying financial statements of Virден Area Foundation Inc., which comprise of the statement of financial position as at December 31, 2015 and the statement of operations, statement of changes 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

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 Virден Area Foundation Inc. as at December 31, 2015 and of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Brandon, Manitoba
April 21, 2016



PARTNERSHIP OF
CHARTERED ACCOUNTANTS

VIRDEN AREA COMMUNITY FOUNDATION INC.
STATEMENT OF FINANCIAL POSITION
As at December 31, 2015

	2015	2014
ASSETS		
CURRENT		
Cash	\$ 119,564	\$ 79,518
Short-term investments (Note 2)	115,321	115,321
Accounts receivable (Note 3)	10,450	11,341
	<u>245,335</u>	<u>206,180</u>
LONG-TERM INVESTMENTS (Note 4)	1,580,223	1,538,233
	<u>\$ 1,825,558</u>	<u>\$ 1,744,413</u>
LIABILITIES		
CURRENT		
Accounts payable (Note 5)	\$ 5,711	\$ 5,726
NET ASSETS		
RESTRICTED FOR ENDOWMENT PURPOSES (Note 8)	1,373,527	1,356,134
UNRESTRICTED	446,320	382,553
	<u>1,819,847</u>	<u>1,738,687</u>
	<u>\$ 1,825,558</u>	<u>\$ 1,744,413</u>

VIRDEN AREA COMMUNITY FOUNDATION INC.
STATEMENT OF OPERATIONS
For the year ended December 31, 2015

	2015	2014
REVENUE		
Investment income	\$ 84,389	\$ 63,107
Grants	4,462	2,718
Donations - Manitoba All Charities	96	42
	<u>88,947</u>	<u>65,867</u>
GRANT EXPENSES		
Arts and culture	5,472	11,188
Education	3,792	8,200
Environment	207	224
Health and social services	13,103	3,542
Sports and recreation	5,000	13,400
	<u>27,574</u>	<u>36,554</u>
OTHER EXPENSES		
Advertising	2,144	959
Conference and travel	2,278	
Insurance	621	621
Interest and bank charges	30	30
Investment management fees	8,089	7,655
Memberships and subscriptions	569	524
Office	466	778
Professional fees	2,008	2,008
Salaries and benefits	4,445	4,317
	<u>20,650</u>	<u>16,892</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER ITEMS	<u>40,723</u>	<u>12,421</u>
OTHER ITEMS		
Realized gain on investments	30,869	30,094
Unrealized gain (loss) on investments	(7,825)	35,846
	<u>23,044</u>	<u>65,940</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 63,767</u>	<u>\$ 78,361</u>

VIRDEN AREA COMMUNITY FOUNDATION INC.
STATEMENT OF CHANGES IN NET ASSETS
 For the year ended December 31, 2015

	Restricted for Endowment Purposes	Unrestricted	Total 2015	Total 2014
Balance, beginning of year	\$ 1,356,134	\$ 382,553	\$ 1,738,687	\$ 1,656,632
Excess of revenue over expenses		63,767	63,767	78,361
Endowment contributions	17,393		17,393	3,694
Balance, end of year	\$ 1,373,527	\$ 446,320	\$ 1,819,847	\$ 1,738,687

VIRDEN AREA COMMUNITY FOUNDATION INC.
STATEMENT OF CASH FLOWS
 For the year ended December 31, 2015

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from donations	\$ 89,838	\$ 65,480
Cash paid to suppliers and grant recipients	(48,209)	(54,995)
New gifts	17,393	3,694
Interest paid	(30)	(30)
	<u>58,992</u>	<u>14,149</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(49,815)	(80,764)
Proceeds on disposal of investments	30,869	30,094
	<u>(18,946)</u>	<u>(50,670)</u>
CHANGE IN CASH	40,046	(36,521)
CASH, BEGINNING OF YEAR	79,518	116,039
CASH, END OF YEAR	\$ 119,564	\$ 79,518

VIRDEN AREA COMMUNITY FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2015

1. ENTITY DEFINITION

The Virden and Area Community 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

The 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 March 2016 to September 2016. Interest on these term deposits is 1.5% (2014 - 1.5%) 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 accounts payables.

VIRDEN AREA COMMUNITY FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2015

3. ACCOUNTS RECEIVABLE

	2015	2014
Accrued investment income	\$ 10,288	\$ 11,231
GST	162	110
	<u>\$ 10,450</u>	<u>\$ 11,341</u>

4. LONG-TERM INVESTMENTS

	2015	2014
Term deposits	\$ 564,585	\$ 564,585
The Winnipeg Foundation	984,944	942,954
Royalty Trust Units	30,686	30,686
Canadian Silver Dollars	8	8
	<u>\$ 1,580,223</u>	<u>\$ 1,538,233</u>

The term deposits disclosed above consists of five fixed term deposits with maturity dates ranging from August 2016 to July 2020. Interest on these term deposits ranges from 2.3% to 3.2% (2014 - 2.4% - 3.2%) 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

	2015	2014
Accrued audit fee	\$ 1,983	\$ 1,983
Accrued grants	1,958	3,193
Government remittances	160	122
Trade	1,250	112
Wages	360	316
	<u>\$ 5,711</u>	<u>\$ 5,726</u>

VIRDEN AREA COMMUNITY FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2015

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. This 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 Funshine Day Care expansion project to contribute \$50,000 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 \$1,373,527 (2014 - \$1,356,134). These externally restricted amounts are to be maintained with the income generated used for the purpose of disbursing funds in the form of grants.