

Viriden Area Foundation Inc.
Financial Statements
For the Year Ended December 31, 2023

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Tel: 204 727 0671
Fax: 1 833 888 1678
Toll Free: 800 775 3328
www.bdo.ca

BDO Canada LLP
148 - 10th Street
Brandon MB R7A 4E6 Canada

Independent Auditor's Report

To the board of directors of Virden Area Foundation Inc.

Qualified Opinion

We have audited the accompanying financial statements of Virden Area Foundation Inc. (the Entity), which comprise the statement of financial position as at December 31, 2023, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, 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 donations, 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, we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

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

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

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We 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 we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants
Brandon, Manitoba
September 27, 2024

Virден Area Foundation Inc.
Statement of Financial Position

December 31	2023	2022
Assets		
Current		
Cash	\$ 442,660	\$ 507,749
Short term investments (Note 1)	199,606	108,450
Accounts receivable (Note 2)	6,091	8,666
Prepaid expenses	-	253
	648,357	625,118
Long-term investments (Note 3)	2,359,300	2,218,400
	\$ 3,007,657	\$ 2,843,518
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 15,600	\$ 7,918
Net Assets		
Restricted for Endowment Purposes (Note 6)	1,988,597	1,966,172
Unrestricted	1,003,460	869,428
	2,992,057	2,835,600
	\$ 3,007,657	\$ 2,843,518

The accompanying notes are an integral part of these financial statements.

Virден Area Foundation Inc.
Statement of Changes in Net Assets

For the year ended December 31	Restricted for Endowment Purposes	Unrestricted	2023 Total	2022 Total
Balance, beginning of the year	\$ 1,966,172	\$ 869,428	\$2,835,600	\$ 2,986,703
Excess (deficiency) of revenue over expenses	-	134,032	134,032	(186,461)
Endowment contributions	22,425	-	22,425	35,358
Balance, end of the year	\$ 1,988,597	\$ 1,003,460	\$2,992,057	\$ 2,835,600

The accompanying notes are an integral part of these financial statements.

Virден Area Foundation Inc.
Statement of Operations

For the year ended December 31	2023	2022
Revenue		
Investment income	\$ 144,096	\$ 147,715
Grant and donations	29,870	27,308
Grants returned unspent	8,499	-
	<u>182,465</u>	<u>175,023</u>
Grant expenses		
Arts and culture	16,747	11,577
Education	33,689	10,486
Health and social services	3,500	22,989
Sports and recreation	87,989	68,619
	<u>141,925</u>	<u>113,671</u>
Expenses		
Advertising	914	1,167
Conference and travel	470	1,033
Insurance	977	888
Interest and bank charges	63	35
Investment management fees	30,026	37,734
Memberships and subscriptions	898	807
Office	1,547	425
Professional fees	10,870	6,895
Salaries and benefits	11,926	5,189
	<u>57,691</u>	<u>54,173</u>
Excess of revenues over expenses before other items	<u>57,691</u>	<u>54,173</u>
Other items		
Realized gain on investments	53,075	42,376
Unrealized gain (loss) on investments	98,108	(236,016)
	<u>151,183</u>	<u>(193,640)</u>
Excess (deficiency) of revenue over expenses	<u>\$ 134,032</u>	<u>\$ (186,461)</u>

The accompanying notes are an integral part of these financial statements.

Virден Area Foundation Inc.
Statement of Cash Flows

For the year ended December 31	2023	2022
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	\$ 134,032	\$ (186,461)
Items not affecting cash:		
Unrealized loss (gain) on investments	(98,108)	236,016
Endowment contributions	22,425	35,358
	<u>58,349</u>	<u>84,913</u>
Changes in non-cash working capital:		
Accounts receivable	2,680	9,919
Prepaid expenses	253	-
Accounts payable and accrued liabilities	7,578	(66)
	<u>68,860</u>	<u>94,766</u>
Cash flows from investing activities		
Net purchases of investments	(133,949)	(104,026)
Net decrease in cash	(65,089)	(9,260)
Cash, beginning of the year	<u>507,749</u>	<u>517,009</u>
Cash, end of the year	<u>\$ 442,660</u>	<u>\$ 507,749</u>

The accompanying notes are an integral part of these financial statements.

Virден Area Foundation Inc. Notes to Financial Statements

December 31, 2023

1. Significant Accounting Policies

Nature and Purpose of Organization	The Entity is a charitable organization operating in the Virден, MB area who is responsible for attracting gifts of capital for the development of an endowment fund and making grants to charitable organizations for worthwhile community projects. The Entity is exempt from taxes under the Income Tax Act, thus any surplus it generates is non-taxable.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
Short-term investments	Short-term investments represent four term deposits with maturity dates from May to September 2024. The interest rate ranges from 4.25% to 5.5% (2022 - 3.05%).
Long-term investments	<p>Long-term investments consist of term deposits with a maturity date not within the next year, The Winnipeg Foundation investments and Royalty Trust Units.</p> <p>Term deposits and The Winnipeg Foundation investments are measured at fair market value. Changes in fair value are recognized in net income in the period incurred. Transaction costs that are directly attributable to the acquisition of these investments are recognized in net income in the period incurred.</p> <p>Royalty Trust Units are held at the lower of cost and fair market value.</p> <p>Long-term investments are tested for impairment when changes in circumstances indicate the asset could be impaired. When a significant change in the expected timing or amount of future cash flows of the marketable securities is identified, the carrying amount of the marketable securities is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.</p>

Virden Area Foundation Inc.
Notes to Financial Statements

December 31, 2023

1. Significant Accounting Policies (continued)

Revenue Recognition The Entity follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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 net assets.

Restricted net investment income is recognized as revenue in the year in which the related expenses are incurred. Restricted net investment income that must be added to the principal amount of resources held for endowment is recognized as a direct increase in net assets. Unrestricted net investment income is recognized as revenue when earned.

Grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Grant money that must be used for specific expenses is recognized when the related expenses have been incurred, according to the terms of the grant agreement. Grant money for which related expenses have not been incurred is deferred.

Interest is recorded when earned based on the terms of the investments.

Virden Area Foundation Inc.
Notes to Financial Statements

December 31, 2023

1. Significant Accounting Policies (continued)

Financial Instruments Financial Instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Use of Estimates The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue and expenses in the periods in which they become known.

Virден Area Foundation Inc.
Notes to Financial Statements

December 31, 2023

2. Accounts receivable

	2023	2022
Accrued Investment Income	\$ 5,892	\$ 8,199
GST	199	467
	\$ 6,091	\$ 8,666

3. Long-term investments

	2023	2022
The Winnipeg Foundation	\$ 2,208,606	\$ 1,976,550
Term deposits	120,000	211,156
Royalty Trust Units	30,686	30,686
Canadian Silver Dollars	8	8
	\$ 2,359,300	\$ 2,218,400

The term deposits disclosed above consist of one (2022 - four) fixed term deposit with a maturity date of July 2025 and patronage equity with Sunrise Credit Union. Interest on this term deposit is 2.05%. (2022 - 2.05% - 4.5%) and is held with Sunrise Credit Union. The Winnipeg Foundation investment is managed by The Winnipeg Foundation and earns interest and investment income 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.

4. Accounts payable and accrued liabilities

	2023	2022
Accrued audit fees	\$ 8,787	\$ 4,300
Accrued Grant Commitments	3,500	3,500
Government remittances	1,923	240
Accrued liabilities	1,390	(122)
	\$ 15,600	\$ 7,918

Viriden Area Foundation Inc. Notes to Financial Statements

December 31, 2023

5. Financial Instruments

Liquidity risk

Liquidity risk is the risk that the Entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Entity will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Entity is exposed to this risk mainly in respect of its accounts payable.

The Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Entity maintains a portion of its invested assets in liquid securities.

There have not been any changes in the risk from the prior year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Entity is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Entity to a fair value risk while the floating rate instruments subject it to a cash flow risk.

A portion of the Entity's investments bear interest at floating rates. Fluctuations in these rates will impact the investment income received in the future.

The Entity is exposed to changes in interest rates related to its investments. The Entity's primary objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory return. Treasury risk management policies specify various investment parameters including eligible types of investment, maximum maturity dates, maximum exposure by counterparties and maximum credit ratings.

The Entity mitigates interest rate risk on investments by diversifying the durations of the fixed-income investments that are held at a given time.

There have not been any changes in the risk from the prior year.

Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuers, or factors affecting all similar financial instruments traded in the market.

The Entity is exposed to other price risk associated with investments held in The Winnipeg Foundation. The risk is reduced to a minimum since The Winnipeg Foundation regularly rebalances its portfolio.

There have not been any changes in the risk from the prior year.

Virden Area Foundation Inc.
Notes to Financial Statements

December 31, 2023

6. Restrictions on net assets

The board of directors has restricted net assets for endowment purposes of \$1,988,597 (2022 - \$1,966,172). These restricted amounts are to be maintained with the income generated used for the purpose of disbursing funds in the form of grants.
