

VIRDEN AREA COMMUNITY FOUNDATION INC.

FINANCIAL STATEMENTS

For the year ended December 31, 2013

VIRDEN AREA COMMUNITY FOUNDATION INC.
TABLE OF CONTENTS
 For the year ended December 31, 2013

	Page
STATEMENT OF RESPONSIBILITY	4
INDEPENDENT AUDITORS' REPORT, dated May 15, 2014	5
FINANCIAL STATEMENTS	
Statement of Financial Position	6
Statement of Operations and Undistributed Income	7
Statement of Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 14

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, 2013 and December 31, 2012 and the statements of operations and undistributed income for the years 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, 2013 and December 31, 2012 and of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

The prior period figures have been audited by another accounting firm with an audit date of April 30, 2013.

Brandon, Manitoba
May 15, 2014

PARTNERSHIP OF
CHARTERED ACCOUNTANTS

VIRDEN AREA COMMUNITY FOUNDATION INC.
STATEMENT OF FINANCIAL POSITION
 As at December 31, 2013

	2013	2012
ASSETS		
CURRENT		
Cash	\$ 106,039	\$ 91,541
Short-term investments (Note 2)	93,321	269,414
Accounts receivable (Note 3)	15,401	16,428
	<u>214,761</u>	<u>377,383</u>
LONG-TERM INVESTMENTS (Notes 2 and 4)	1,449,179	1,134,911
	<u>\$ 1,663,940</u>	<u>\$ 1,512,294</u>
LIABILITIES		
CURRENT		
Accounts payable (Note 5)	\$ 7,306	\$ 4,850
	<u>7,306</u>	<u>4,850</u>
NET ASSETS		
CONTRIBUTED CAPITAL	1,352,440	1,334,280
UNDISTRIBUTED INCOME	304,194	173,164
	<u>1,656,634</u>	<u>1,507,444</u>
	<u>\$ 1,663,940</u>	<u>\$ 1,512,294</u>

VIRDEN AREA COMMUNITY FOUNDATION INC.
STATEMENT OF OPERATIONS AND UNDISTRIBUTED INCOME
 For the year ended December 31, 2013

	2013	2012
REVENUE		
Investment income	\$ 67,543	\$ 68,736
Grants	3,842	2,903
Designated gifts	1,267	106
	<u>72,652</u>	<u>71,745</u>
GRANT EXPENSES		
Sports and recreation	13,640	9,500
Arts and culture	5,579	7,572
Education	2,000	6,029
Health and social services	16,365	3,538
Environment	230	276
	<u>37,814</u>	<u>26,915</u>
OTHER EXPENSES		
Advertising	2,092	1,006
Conference and travel	4,408	662
Insurance	569	550
Interest and bank charges	30	20
Investment management fees	6,875	6,208
Memberships and subscriptions	520	450
Office	199	699
Professional fees	2,215	2,165
Salaries and benefits	3,692	3,444
	<u>20,600</u>	<u>15,204</u>
INCOME BEFORE OTHER ITEMS	<u>14,238</u>	<u>29,626</u>
OTHER ITEMS		
Realized gain on investments	15,817	23,835
Unrealized gain on investments	100,975	27,133
	<u>116,792</u>	<u>50,968</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 131,030</u>	<u>\$ 80,594</u>

VIRDEN AREA COMMUNITY FOUNDATION INC.
STATEMENT OF CHANGES IN NET ASSETS
 For the year ended December 31, 2013

	Contributed Capital	Undistributed Income	Total 2013	Total 2012
Balance, beginning of year	\$ 1,334,280	\$ 173,164	\$ 1,507,444	\$ 1,384,261
Excess of revenue over expenses		131,030	131,030	80,594
New gifts	18,160		18,160	42,589
Balance, end of year	\$ 1,352,440	\$ 304,194	\$ 1,656,634	\$ 1,507,444

VIRDEN AREA COMMUNITY FOUNDATION INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2013

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from donations	\$ 73,678	\$ 76,450
Cash paid to suppliers and grant recipients	(55,928)	(41,814)
Interest paid	(30)	(20)
	<u>17,720</u>	<u>34,616</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(269,293)	(334,157)
Proceeds on disposal of investments	247,911	274,135
New gifts	18,160	42,589
	<u>(3,222)</u>	<u>(17,433)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	14,498	17,183
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	91,541	74,358
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 106,039	\$ 91,541

VIRDEN AREA COMMUNITY FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
 For the year ended December 31, 2013

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 part of the Municipalities and as such is exempt from taxes under Section 149(1)(C) of 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 maturity dates ranging from May 2014 to November 2014. Interest on these term deposits ranges from 1.5% to 3.4% (2012 - 1.5% - 4.0%) and are held with Sunrise Credit Union. These short-term investments have been classified as held for trading and therefore have been recorded at their prevailing market value.

Long-term investments

Long-term investments represent term deposits with maturity dates ranging from July 2015 to August 2018. Interest on these term deposits ranges from 2.4% to 3.2% (2012 - 1.5% - 5.25%). These long-term investments have been classified as held for trading and therefore have been recorded at their prevailing 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 fund equity.

Contributed capital

Contributed capital consists of donations and gifts received. These amounts are to be maintained permanently as endowment funds.

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.

VIRDEN AREA COMMUNITY FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risk management policies and hedging activities

Consistent with other small entities, management's risk management policies are typically performed as a part of the overall management of the entity's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. Management's close involvement in operations identifies risks and variations from expectations leading to changes in risk management activities and requirements and actions. Management has not entered into hedging transactions to manage risk. As a part of the overall management of the entity's operations management considers avoidance of undue concentration of risk, and may require collateral to mitigate credit risk.

Capital management

The Virden and Area Community Foundation Inc. considers its capital to be the balance maintained in its undistributed income. The primary objective of the Virden and Area Community Foundation Inc. is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Capital is invested under the direction of the Board Members of the Virden and Area Community Foundation Inc. with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements. Virden and Area Community Foundation Inc. is not subject to any externally imposed requirements of its capital.

Financial instruments

All significant financial assets, financial liabilities and equity instruments of the organization are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows and interest rate, currency or credit risk.

Held for trading:

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 Financial Instruments - Recognition and Measurement, even if that instrument would not otherwise satisfy the definition of held for trading. The organization has classified the following financial assets as held for trading: cash, short-term investments and long term investments. These instruments are initially recognized at their fair value.

Loans and receivables:

The organization has classified the following financial assets as loans and receivables: accounts receivable. These assets are initially recognized at their fair value, determined by recent arm's-length market transactions for the same instrument. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. Gains or losses arising from changes in fair value are recognized in net operations upon derecognition or impairment.

VIRDEN AREA COMMUNITY FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
 For the year ended December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other financial liabilities:

The organization has classified the following financial assets as other financial liabilities: accounts payable. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expect life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in net operations upon derecognition or impairment.

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values due to the short-term maturities of these items.

3. ACCOUNTS RECEIVABLE

	2013	2012
GST	\$ 206	\$ 110
Accrued investment income	10,751	12,000
Investment income receivable Winnipeg Foundation	4,444	4,318
	<u>\$ 15,401</u>	<u>\$ 16,428</u>

4. LONG-TERM INVESTMENTS

	2013	2012
Term deposits	\$ 536,585	\$ 346,135
The Winnipeg Foundation	871,900	762,942
Royalty Trust Units	30,686	15,826
Patronage equity	10,000	10,000
Canadian Silver Dollars	8	8
	<u>\$ 1,449,179</u>	<u>\$ 1,134,911</u>

The term deposits disclosed above consists of five fixed term deposits with maturity dates ranging from July 2015 to August 2018. Interest on these term deposits ranges from 2.4% to 3.2% (2012 - 1.5% - 5.25%) 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 have been classified as held for trading and therefore have been recorded at their prevailing market value.

VIRDEN AREA COMMUNITY FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
 For the year ended December 31, 2013

5. ACCOUNTS PAYABLE	2013	2012
Audit fee	\$ 1,983	\$ 2,597
Government remittances	35	2,000
Wages	344	
Trade payables	1,567	
Virden Auditorium	1,421	
Virden Cemetery	1,421	
St. Mary's Anglican Church	535	253
	<u>\$ 7,306</u>	<u>\$ 4,850</u>

6. LEASE

On October 4, 2012 the entity entered into a petroleum and natural gas lease agreement with Basm Land & Resource Ltd. on land NE 4-13-27 WIM. The entity received \$10,640 in 2012, which represents the bonus consideration and lump sum rental on the agreement date. The full amount to be received is unknown. No amount was received in 2013.

7. FINANCIAL INSTRUMENTS

Financial instruments of the organization consist of cash, short-term investments, accounts receivable, long-term investments, and accounts payable. The carrying value of these financial assets approximates their fair values due to their short term maturity or capacity for prompt liquidation.

The carrying value of the long-term investments approximates the fair value since interest rates approximate market rates.

Price risk management

The organization is exposed to currency risk, interest rate risk, and market risk. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The organization does not currently conduct transactions in or hold any foreign currency. Interest rate risk is the risk that the value of a financial instrument will change due to changes in market interest rates. The organization does not currently have any outstanding loans due or any liabilities bearing interest. Finally, market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuers or factors affecting all instruments traded in the market. The organization is exposed to market risk because their long-term restricted cash is affected by market rates. The organization actively monitors these balances so they are aware of any changes in the market.

Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The organization is currently not in any position where related parties are involved or any other such instances where they are exposed to credit risk.

VIRDEN AREA COMMUNITY FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

7. FINANCIAL INSTRUMENTS (continued)

Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. At this time, the organization has more than adequate current assets to cover its current liabilities, therefore liquidity risk is minimal.

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. Given the organization's financial instruments are primarily short term in nature, cash flow risk is low.

8. 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.

9. COMPARATIVE FIGURES

The prior year's figures were audited by another public accounting firm with an audit date of April 30, 2013.

Certain comparative figures have been reclassified to conform with current year presentation.