

Viriden Area Foundation Inc.

Financial Statements

For the year ended December 31, 2010

Draft

Virден Area Foundation Inc.

Financial Statements

For the year ended December 31, 2010

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Independent Auditors' Report

To the Board of Directors of Virden Area Foundation Inc.

We have audited the accompanying financial statements of Virden Area Foundation Inc., which comprise the statement of financial position as at December 31, 2010 and the statement of contributed capital, statement of operations and undistributed income, and cash flow statement 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 generally accepted accounting principles, 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.

Auditor's 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 auditor's 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 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 Virden Area Foundation Inc. as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Virden, Manitoba
July 15, 2011

**Viriden Area Foundation Inc.
Statement of Financial Position**

For the year ended December 31 **2010** **2009**

Assets

Current Assets

Cash and bank	\$	50,434	\$	150,523
Current portion of long-term investments		55,321		63,418
Accounts receivable (Note 1)		20,024		20,945
		125,779		234,886

Long-term investments (Note 2) 1,266,595 1,232,431

Patronage equity **10,000** 10,000

\$ 1,402,374 **\$ 1,477,317**

Liabilities and Fund Equity

Current Liabilities

Accounts payable	\$	2,762	\$	4,313
Due to related parties		-		182
		2,762		4,495

Fund Equity

Contributed capital	1,278,919	1,276,180
Undistributed income	120,693	196,642

1,399,612 1,472,822

\$ 1,402,374 **\$ 1,477,317**

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**Viriden Area Foundation Inc.
Statement of Contributed Capital**

For the year ended December 31	2010	2009
Contributed capital , beginning of year	\$ 1,276,180	\$ 1,266,727
New gifts	<u>2,739</u>	<u>9,453</u>
Contributed capital , end of year	\$ 1,278,919	\$ 1,276,180

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Viriden Area Foundation Inc. Statement of Operations and Undistributed Income

For the year ended December 31	2010	2009
Revenue		
Investment income	\$ 32,961	\$ 31,563
Grants received	3,641	9,521
	<u>36,602</u>	<u>41,084</u>
Grants		
Sports and recreation	150,000	15,200
Arts and culture	3,521	2,217
Education	6,500	2,000
Health and social services	7,786	11,166
Environment	264	332
Seniors	-	5,000
	<u>168,071</u>	<u>35,915</u>
Expenses		
Advertising and sales promotion	798	3,197
Investment management fees	5,374	5,293
Office	498	365
Printing, stationery and office supplies	863	1,404
Professional fees	1,991	2,110
Salaries and benefits	2,870	3,628
	<u>12,394</u>	<u>15,997</u>
Loss before other items	(143,863)	(10,828)
Other Items		
Realized gain on investments	36,473	39,462
Unrealized gain on investments	31,441	67,032
	<u>67,914</u>	<u>(106,494)</u>
Increase (decrease) in undistributed income	(75,949)	95,666
Undistributed income, beginning of year	196,642	100,976
Undistributed income, end of year	\$ 120,693	\$ 196,642

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Viriden Area Foundation Inc. Statement of Cash Flows

For the year ended December 31	2010	2009
<i>(with comparative amounts for the ended)</i>		
Cash Flows from Operating Activities		
Net income (loss) for the year	\$ (75,949)	\$ 95,666
Adjustments for		
Unrealized gain on investments	(31,441)	(67,032)
Gain on investments	(36,473)	(39,462)
	<u>(143,863)</u>	<u>(10,828)</u>
 Changes in non-cash working capital balances		
Accounts receivable	921	3,547
Due from (to) related parties	(182)	182
Accounts payable	(1,551)	(5,553)
	<u>(812)</u>	<u>(1,824)</u>
	<u>(144,675)</u>	<u>(12,652)</u>
 Cash Flows from Investing Activities		
Proceeds on investments	<u>44,586</u>	54,222
 Increase (decrease) in cash and cash equivalents during the year	(100,089)	41,570
 Cash and cash equivalents, beginning of year	<u>150,523</u>	108,953
 Cash and cash equivalents, end of year	\$ 50,434	\$ 150,523

Virден Area Foundation Inc. Summary of Significant Accounting Policies

December 31, 2010

Nature of Business

The Virден Area Foundation 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 a registered charity with the designation of a public foundation.

Revenue Recognition

The Virден Area Foundation Inc. 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 fund equity.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Capital Assets

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

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Viriden Area Foundation Inc. Summary of Significant Accounting Policies

December 31, 2010

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, investments and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The organization has classified its cash and investments as held-for-trading, receivables as loans and receivables and its accounts payable and accrued liabilities as other liabilities, which are measured at amortized cost.

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**Viriden Area Foundation Inc.
Notes to Financial Statements**

December 31, 2010

1. Accounts Receivable

	2010	2009
Grant funding	\$ -	\$ 2,190
GST rebate	289	149
Accrued investment income	19,735	18,606
	\$ 20,024	\$ 20,945

2. Long-term Investments

	2010	2009
Term deposits	\$ 546,549	\$ 546,549
Trust units - Winnipeg Foundation	759,533	733,466
8 Canadian Silver Dollars	8	8
Real estate holdings	15,826	15,826
	\$ 1,321,916	\$ 1,295,849
Less amounts due within one year included in current assets	55,321	63,418
	\$ 1,266,595	\$ 1,232,431

3. Capital

The organization considers its capital to be its net assets. The organization's objectives when managing its capital are to safeguard its ability as a going concern so it can continue to provide grant funding to other charitable organizations in order to support community projects. Regular financial reports are developed and monitored to ensure the organization's capital is maintained at an appropriate level.

Virден Area Foundation Inc. Notes to Financial Statements

December 31, 2010

4. Financial Risk Management

There have been no substantive changes in the organization's exposure to financial instrument risks. The board of directors monitors the financial statements, including its financial instruments, on a monthly basis to determine if there are any increases or changes in its risk.

The principal financial instruments used by the organization, from which financial risk arises, are as follows: cash, investments, accounts receivable, amounts due to related parties, and accounts payable.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The organization's investment holdings are affected by fluctuations in market interest rates due to the nature of the term deposits, cash holdings, and managed fund balances held. Virден Area Foundation is economically dependant on investment revenue derived from these assets with 74% of income being derived from this source. Due to these factors, the organization is exposed to interest rate risk.

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The organization is not exposed to foreign exchange risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The organization holds funds within an externally managed fund which incorporates equity investments in its investment portfolio, exposing the organization to other price risk. In addition, investment income derived from mineral rights royalties are exposed to other price risk due to this income's reliance on the fair market value of the related production.

Liquidity Risk

Liquidity risk is the risk that the organization will encounter difficulty in having available sufficient funds to meet its commitments. It is the organization's policy to ensure that it will have sufficient cash and short term investments to allow it to meet its liabilities when they come due.

Credit Risk

Credit risk arises principally from receivables. Due to the fact that the organization has outstanding receivable balances, the organization is exposed to credit risk. The outstanding receivable balance is largely composed of accrued investment income that is receivable from reputable sources, thereby reducing the entity's exposure to credit risk.