

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /  
LA FONDATION CANADIENNE DES BOURSES DE MÉRITE**

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**2009 Financial Statements**

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /  
LA FONDATION CANADIENNE DES BOURSES DE MÉRITE**  
2009 Financial Statements

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## **Auditors' Report**

**To the Directors of  
The Canadian Merit Scholarship Foundation /  
La Fondation Canadienne Des Bourses De Mérite**

We have audited the balance sheet of The Canadian Merit Scholarship Foundation / La Fondation Canadienne Des Bourses De Mérite as at April 30, 2009 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives donations from the public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenue over expenditures, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*PKF Hill LLP*

Chartered Accountants, Licensed Public Accountants  
June 11, 2009

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /  
LA FONDATION CANADIENNE DES BOURSES DE MÉRITE**

**Balance Sheet  
As at April 30**

	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (note 4)	\$ 655,190	\$ 278,539
Accrued interest and other receivables	32,835	58,529
Prepaid expenses	35,951	24,104
	<hr/>	<hr/>
	723,976	361,172
Investments (note 5)	2,744,514	2,612,790
Furniture and equipment (note 6)	5,668	7,085
	<hr/>	<hr/>
	\$ 3,474,158	\$ 2,981,047
<hr/>		
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 113,565	\$ 105,867
Deferred contributions (note 7)	1,603,234	1,355,139
	<hr/>	<hr/>
	1,716,799	1,461,006
Net assets		
Invested in furniture and equipment	5,668	7,085
Tomorrow Fund		
Externally restricted endowment	15,789	-
Internally restricted endowment	403,398	-
Cumulative net unrealized gain (loss) on available for sale financial assets	17,185	-
Unrestricted		
Cumulative excess of revenue over expenses	1,308,352	1,526,934
Cumulative net unrealized gain (loss) on available for sale financial assets	6,967	(13,978)
	<hr/>	<hr/>
	1,757,359	1,520,041
	<hr/>	<hr/>
	\$ 3,474,158	\$ 2,981,047
<hr/>		

**See accompanying notes**

**On behalf of the Board:**

**Director**

**Director**

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /  
LA FONDATION CANADIENNE DES BOURSES DE MÉRITE**

Statement of Operations  
Year ended April 30

	2009	2008
Revenue		
Donations	\$ 3,338,690	\$ 3,322,044
Interest and other income	69,049	114,235
Interest income on Tomorrow Fund	5,112	-
	<hr/> 3,412,851	<hr/> 3,436,279
Expenses		
Employment costs	508,746	509,993
Administration	155,375	172,560
Communication and outreach	110,782	90,702
Selection costs	36,643	39,379
Professional fees	15,298	14,096
Scholar management	9,511	10,590
	<hr/> 836,355	<hr/> 837,320
Grants and awards		
National awards	1,600,000	1,716,000
Finalist awards	108,000	105,000
Regional awards	128,000	132,000
Provincial awards	146,000	157,000
Other grants	33,000	33,000
Summer travel study grants	226,969	205,715
National interview weekend grants	75,729	90,857
Scholar retreat/Leadership forum	75,399	34,695
	<hr/> 2,393,097	<hr/> 2,474,267
	<hr/> 3,229,452	<hr/> 3,311,587
Excess of revenue over expenses	<hr/> <hr/> \$ 183,399	<hr/> <hr/> \$ 124,692

See accompanying notes

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /  
LA FONDATION CANADIENNE DES BOURSES DE MÉRITE**

**Statement of Changes in Net Assets**

**Year ended April 30**

	2009						Total	2008 Total
	Tomorrow Fund			Unrestricted				
	Invested in Furniture and Equipment	Externally Restricted Endowment	Internally Restricted Endowment	Cumulative Net Unrealized Gain (Loss) On Available For Sale Financial Assets	Cumulative Excess of Revenue Over Expenses	Cumulative Net Unrealized Gain (Loss) On Available For Sale Financial Assets		
Balance, beginning of year	\$ 7,085	\$ -	\$ -	\$ -	\$ 1,526,934	\$ (13,978)	\$ 1,520,041	\$ 1,409,327
Accounting change	-	-	-	-	-	-	-	(19,049)
Balance beginning of year, as adjusted	7,085	-	-	-	1,526,934	(13,978)	1,520,041	1,390,278
Excess (deficiency) of revenue over expenses	(1,417)	-	3,398	-	181,418	-	183,399	124,692
Endowment contributions	-	15,789	-	-	-	-	15,789	-
Fund transfers	-	-	400,000	-	(400,000)	-	-	-
Cumulative unrealized (gain) loss on available for sale financial assets reversed on sale of available for sale financial assets	-	-	-	-	-	12,893	12,893	2,182
Net unrealized gain (loss) on available for sale financial assets during the year	-	-	-	17,185	-	8,052	25,237	2,889
	\$ 5,668	\$ 15,789	\$ 403,398	\$ 17,185	\$ 1,308,352	\$ 6,967	\$ 1,757,359	\$ 1,520,041

**See accompanying notes**

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION / LA FONDATION CANADIENNE DES BOURSES DE MÉRITE

Notes to Financial Statements  
Year ended April 30, 2009

## 1. Purpose of the organization

The Canadian Merit Scholarship Foundation / La Fondation Canadienne Des Bourses De Mérite (the "Foundation" or "CMSF") is committed to the greatest of Canada's natural resources: our youth. The purpose of the Foundation is to identify and support talented students who show promise of leadership and a strong commitment to service in the community. The Foundation funds these citizens to study on Canadian campuses, to the benefit of their future and ours.

The Foundation was formed as a trust in 1989 and was registered with the Canada Revenue Agency as a charitable organization under registration number 0813915-21. Effective May 1, 2004, all assets and obligations of the trust were transferred to a newly formed corporation and all activities of the Foundation were conducted through the corporation from that point forward. The corporation is registered with the Canada Revenue Agency as a charitable organization under registration number 85513 2643RR0001.

## 2. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, the more significant of which are outlined below.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### Financial instruments

The Foundation's financial instruments are comprised of cash and cash equivalents, other receivables, investments and accounts payable.

Cash and cash equivalents, other receivables and accounts payable approximate fair value due to their short-term maturities. Investments have been designated as available for sale financial instruments and, as such, are recorded at fair value with fair value determined based on the bid price at close of business at the balance sheet date. Unrealized gains and losses on these assets are recognized in the statement of changes in net assets until realized, at which time the realized gain or loss is transferred from the statement of changes in net assets to the statement of operations.

The Canadian Institute of Chartered Accountants ("CICA") provides a temporary choice for financial statements and the Foundation has chosen to continue to apply Financial Instruments - Disclosure and Presentation, Section 3861 in place of Financial Instruments - Disclosure, Section 3862 and Financial Instruments - Presentation, Section 3863. Had the Foundation adopted the new standards, there would have been increased emphasis on risk disclosure including both qualitative and quantitative information about the exposures to the organization.

### Cash equivalents

Cash equivalents consist of guaranteed investment certificates with maturities of less than three months or that are convertible into cash without significant penalty.

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /  
LA FONDATION CANADIENNE DES BOURSES DE MÉRITE**

**Notes to Financial Statements  
Year ended April 30, 2009**

**2. Summary of significant accounting policies - continued**

Furniture and equipment

Furniture and equipment is recorded at cost and is amortized on a declining-balance basis at a rate of 20%.

Net assets

The net assets of the Foundation are comprised of:

(a) Net assets invested in furniture and equipment

Net assets invested in furniture and equipment represent the net book value of furniture and equipment less any debt thereon.

(b) Net assets of the Tomorrow Fund

The Tomorrow Fund was established to provide a dependable and sustainable source of income to support the Loran awards. It is expected that the majority of the capital of the fund will be in the form of endowment contribution whose income will be available to support the objective of the fund. To seed the fund, the Board of Directors transferred \$400,000 of the Foundation's unrestricted surplus to the Tomorrow Fund. The Board of Directors has stipulated that the funds transferred must be maintained permanently. As such, only the income on the amount transferred is available for distribution.

(c) Unrestricted net assets

Unrestricted net assets represents the net assets of the Foundation which are available for general operations.

Revenue recognition

Endowment contributions are recognized as direct increases in net assets in the year in which they are received.

Externally restricted donations and income earned on Tomorrow Fund externally restricted endowments are deferred and recognized as revenue in the year in which the related expenses are incurred.

Unrestricted donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue in the period to which it relates.

The value of volunteer and other services donated to the Foundation is not recorded in the financial statements as these services are not normally purchased by the Foundation and because of the difficulty in determining their fair value.

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION / LA FONDATION CANADIENNE DES BOURSES DE MÉRITE

Notes to Financial Statements  
Year ended April 30, 2009

## 2. Summary of significant accounting policies - continued

### Awards

Awards are expensed in the academic year to which they relate.

LORAN awards are renewable for up to three academic years. Awards for subsequent academic years are subject to certain conditions placed on the award winners and are renewable annually at the sole discretion of the Foundation's Directors.

As a result, commitments beyond the current year are not recognized in the financial statements.

### Accounting changes

The CICA has issued the following Accounting Handbook Sections which the Foundation will be required to adopt effective for its fiscal year ended April 30, 2010. The adoption of the new standards is not expected to have a material impact on the financial statements.

Section 1540, Cash Flow Statement requires that a statement of cash flows be presented.

Section 4470, Disclosure of Allocated Expenses for Not-for-Profit Organization requires the Foundation to disclose its policy on the allocation of fundraising and general support expenses including the nature of the expenses, the basis of allocation and the amounts allocated.

## 3. Objectives, policies and processes for managing capital

The Foundation defines its capital as its net assets. The Foundation's objective when managing its capital is to safeguard the organization's ability to continue to provide programs and services consistent with its mission and vision. The Foundation maintains sufficient funds and commitments to pay out all anticipated stipends to in-stream Scholars (note 8).

Management provides to the Executive Committee of the Board an annual budget and an estimate of the amount of capital required to cover the anticipated stipends to in-stream Scholars. The budget is developed to ensure the Foundation has the proper cash flow to fund operations and capital expenditures. A recommendation is made from the Executive Committee to the Board for approval of the budget. Management compares actual results to the budget and reports these results to the Executive Committee and Board quarterly.

A portion of the Foundation's capital is deferred and restricted as described under net assets and revenue recognition in note 2. The Foundation has internal control processes to ensure that the restrictions are met.

The investments of the Foundation, comprising the majority of the Foundation's capital, are invested by the Foundation's investment managers in a prudent manner and within the asset mix guidelines outlined in the Foundation's investment policy.

## 4. Cash and cash equivalents

Included in cash and cash equivalents is a \$25,000 guaranteed investment certificate which must be held as a guarantee on the Foundation's corporate credit card.

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /  
LA FONDATION CANADIENNE DES BOURSES DE MÉRITE**

Notes to Financial Statements  
Year ended April 30, 2009

**5. Investments**

Investments consist of corporate and government guaranteed bonds (with maturities from 2009 to 2015 and interest rates between 1.24% and 4.1%), as well as index funds.

**6. Furniture and equipment**

	2009			2008
	Cost	Accumulated Amortization	Net	Net
Furniture and equipment	\$ 85,356	\$ 79,688	\$ 5,668	\$ 7,085

Included in administration expense is \$1,417 (2008 - \$787) of amortization.

**7. Deferred contributions**

Deferred contributions represent the value of donations received that are subject to a restriction that the principal may not be spent for a period of not less than 10 years or the value of donations received that are to be disbursed to national scholars over the next three to four years. Interest income earned on these donations is available for disbursement at the discretion of the Directors.

	2009	2008
Balance, beginning of year	\$ 1,355,139	\$ 863,581
Contributions	847,572	886,389
Recognized as revenue (included in donations revenue)	(599,477)	(394,831)
Balance, end of year	\$ 1,603,234	\$ 1,355,139

These donations become available for disbursement as follows:

2010	\$ 847,325
2011	427,156
2012	265,906
2013	62,847
	\$ 1,603,234

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /  
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Notes to Financial Statements  
Year ended April 30, 2009

**8. Commitments**

During the year, 15 LORAN awards and 15 LORAN/Weston awards were granted. Each LORAN award consists of a cash grant of \$8,000 for the first year of university, with occasional adjustments to cover extra costs in certain programs.

The awards are renewable for up to three additional years. Awards for subsequent academic years are subject to certain conditions placed on the award winners and are renewable annually at the sole discretion of the Foundation's Directors. The W. Garfield Weston Foundation has committed to fund the grants of all LORAN/Weston award holders through the completion of their undergraduate studies. It is the intent of the Foundation to have sufficient funds invested at all times such that all current university LORAN award holders could be funded to the completion of their program if the Foundation were to cease operations.

CMSF has entered into a long-term lease agreement for rental space with a term from May 1, 2007 until April 30, 2012.

The commitments of the Foundation are as follows:

	<b>LORAN Awards</b>	<b>LORAN/Weston Awards</b>	<b>Leases</b>	<b>Total</b>
2010	\$ 476,000	\$ 436,000	\$ 58,709	\$ 970,709
2011	360,000	364,000	58,709	782,709
2012	240,000	240,000	58,709	538,709
2013	120,000	120,000	18,916	258,916
	<b>\$ 1,196,000</b>	<b>\$ 1,160,000</b>	<b>\$ 195,043</b>	<b>\$ 2,551,043</b>

**9. Financial instruments**

It is management's opinion that the Foundation is not exposed to significant interest, currency or credit risk arising from its financial instruments.

**10. Statement of cash flows**

A statement of cash flows has not been provided as it would not provide additional information to that already disclosed in the financial statements.

**11. Subsequent event**

Subsequent to year end, a bequest of \$500,000 was received. The initial donation will be maintained in perpetuity as an endowment, and the investment income will be externally restricted for use under the terms of the Tomorrow Fund.

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /  
LA FONDATION CANADIENNE DES BOURSES DE MÉRITE**  
University Program  
Year ended April 30

Schedule 1

	2009	2008
Revenue		
Donations	\$ 1,825,228	\$ 1,716,648
Interest and other income	69,049	114,235
Interest income on Tomorrow Fund	5,112	
	<hr/> 1,899,389	<hr/> 1,830,883
Expenses		
Employment costs	265,724	280,039
Administration	80,962	87,493
Communication and outreach	52,824	42,075
Selection costs	20,480	23,870
Professional fees	7,750	7,048
Scholar management	10,610	6,276
	<hr/> 438,350	<hr/> 446,801
Grants and awards		
National awards	844,000	848,000
Finalist awards	108,000	105,000
Provincial awards	76,000	82,000
Other grants	11,000	9,000
Summer travel study grants	154,569	123,160
National interview weekend grants	50,142	57,535
Scholar retreat	33,929	34,695
	<hr/> 1,277,640	<hr/> 1,259,390
	<hr/> 1,715,990	<hr/> 1,706,191
Excess of revenue over expenses	<hr/> <hr/> \$ 183,399	<hr/> <hr/> \$ 124,692

See accompanying notes

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /  
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College Program  
Year ended April 30

Schedule 2

	2009	2008
Revenue		
Donations	\$ 1,513,462	\$ 1,605,396
<hr/>		
Expenses		
Employment costs	243,022	229,954
Administration	74,412	85,067
Communication and outreach	54,144	48,627
Selection costs	16,163	15,509
Professional fees	7,549	7,048
Scholar management	2,715	4,314
<hr/>		
	398,005	390,519
<hr/>		
Grants and awards		
National awards	756,000	868,000
Regional awards	128,000	132,000
Provincial awards	70,000	75,000
Other grants	22,000	24,000
Summer travel study grants	72,400	82,555
National interview weekend grants	25,587	33,322
Leadership forum	41,470	-
<hr/>		
	1,115,457	1,214,877
<hr/>		
	1,513,462	1,605,396
<hr/>		
Excess of revenue over expenses	\$ -	\$ -
<hr/>		

See accompanying notes