

Financial Statements of

**THE CANADIAN MERIT  
SCHOLARSHIP FOUNDATION**

Year ended August 31, 2002

## AUDITORS' REPORT

To the Trustees of The Canadian Merit Scholarship Foundation

We have audited the statement of financial position of The Canadian Merit Scholarship Foundation as at August 31, 2002 and the statements of operations, changes in net assets and cash flows 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 revenue from donations from the public, the completeness of which is not susceptible of 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, expenditures over revenue, 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 revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at August 31, 2002 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedules 1 and 2 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to 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.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Accountants

Toronto, Canada

November 29, 2002

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

## Statement of Financial Position

August 31, 2002, with comparative figures for 2001

	2002	2001
<b>Assets</b>		
Current assets:		
Cash	\$ 764,412	\$ 557,418
Accrued interest and other receivables	78,401	38,061
	<u>842,813</u>	<u>595,479</u>
Investments, at cost (note 2)	1,430,761	1,372,266
Capital assets	87,867	46,456
Less accumulated depreciation	56,382	39,658
	<u>31,485</u>	<u>6,798</u>
	<u>\$ 2,305,059</u>	<u>\$ 1,974,543</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 14,995	\$ 8,588
Awards payable	1,124,700	856,000
Deferred pledge revenue	—	40,000
	<u>1,139,695</u>	<u>904,588</u>
Deferred contributions (note 3)	362,353	383,205
Net assets:		
Unrestricted	771,526	679,952
Invested in capital assets	31,485	6,798
	<u>803,011</u>	<u>686,750</u>
Commitments (note 4)		
	<u>\$ 2,305,059</u>	<u>\$ 1,974,543</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Trustee

\_\_\_\_\_ Trustee

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

## Statement of Operations

Year ended August 31, 2002, with comparative figures for 2001

	2002	2001
Revenue:		
Donations	\$ 2,000,102	\$ 1,690,546
Interest and other income	93,216	52,388
	<u>2,093,318</u>	<u>1,742,934</u>
Expenditures:		
Non-grant expenditures:		
Salaries and honoraria	359,516	289,146
Office, telephone and printing	80,980	39,598
Travel	59,826	45,612
Professional fees	21,352	5,175
Depreciation	18,092	6,084
Miscellaneous	5,216	9,929
Fundraising	5,137	7,364
	<u>550,119</u>	<u>402,908</u>
Awards and grants:		
National awards granted	604,384	582,500
GWMSC awards granted	387,400	119,150
Travel and other special grants	157,621	107,364
Regional and finalist awards granted	112,000	138,000
Final selection weekends	96,033	18,066
Provincial awards granted	69,500	26,500
	<u>1,426,938</u>	<u>991,580</u>
	<u>1,977,057</u>	<u>1,394,488</u>
Excess of revenue over expenditures	<u>\$ 116,261</u>	<u>\$ 348,446</u>

See accompanying notes to financial statements.

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

## Statement of Changes in Net Assets

Year ended August 31, 2002, with comparative figures for 2001

			2002	2001
	Invested in capital assets	Unrestricted	Total	Total
Balance, beginning of year	\$ 6,798	\$ 679,952	\$ 686,750	\$ 338,304
Excess of revenue over expenditures (expenditures over revenue)	(16,724)	132,985	116,261	348,446
Investment in capital assets	41,411	(41,411)	–	–
Balance, end of year	\$ 31,485	\$ 771,526	\$ 803,011	\$ 686,750

See accompanying notes to financial statements.

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

## Statement of Cash Flows

Year ended August 31, 2002, with comparative figures for 2001

	2002	2001
Cash flows from operating activities:		
Excess of revenue over expenditures	\$ 116,261	\$ 348,446
Depreciation	18,092	6,084
Net change in non-cash working capital	194,767	561,693
(Decrease) increase in deferred contributions related to operations	(20,852)	1,250
(Gain) loss on disposal of capital assets	(427)	275
Cash flows from operating activities	307,841	917,748
Cash flows from financing and investing activities:		
Purchase of capital assets	(43,462)	(8,757)
Purchase of investments	(58,495)	(398,115)
Proceeds on disposal of capital assets	1,110	2,451
Cash flows used in financing and investing activities	(100,847)	(404,421)
Increase in cash and short-term deposits	206,994	513,327
Cash, beginning of year	557,418	44,091
Cash, end of year	\$ 764,412	\$ 557,418

See accompanying notes to financial statements.

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

Notes to Financial Statements

Year ended August 31, 2002

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The Canadian Merit Scholarship Foundation ("CMSF") is a trust which was formed in 1988 and was registered as a charitable organization in March 1989 with Revenue Canada under registration number 0813915-21.

The purpose of the CMSF is to identify and support well-rounded students who combine distinguished talents with character, leadership potential and a commitment to the community. The awards program is intended to benefit both these students and the university communities in which they live.

## 1. Significant accounting policies:

### (a) General:

The financial statements of the Foundation are prepared in accordance with Canadian generally accepted accounting principles.

### (b) Revenue recognition:

The Foundation follows the deferral method of accounting for donations.

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.

Externally restricted donations to be expended in future years are recognized as revenue in the year in which the related expenses are recognized.

Investment income is recognized as revenue when earned.

The value of volunteer and other services donated to the Foundation is not recorded in the financial statements.

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

Notes to Financial Statements (continued)

Year ended August 31, 2002

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## 1. Significant accounting policies (continued):

### (c) Awards:

National awards are accrued in the year they are granted by the trustees. Awards payable represent the National awards granted and renewed in the year, which are to be paid in the 2003 fiscal year.

National awards are renewable for subsequent academic years and are not accrued, as they are subject to certain conditions placed on the award winners and are renewable annually at the sole discretion of the trustees.

### (d) Capital assets:

Capital assets are stated at cost and consist of computer and office equipment. Depreciation is provided on a straight-line basis over a period of three years.

## 2. Investments:

Investments are carried at cost and are comprised of government and government guaranteed bonds, with maturities from 2002 to 2012 and cash surrender value of a life insurance policy.

Market value is \$1,500,482 (2001 - \$1,419,530).

## 3. Deferred contributions:

Deferred contributions represent the value of donations received that are subject to a direction that the principal may not be spent for a period of not less than 10 years.

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Balance, beginning of year	\$ 383,205	\$ 381,955
Increase related to operations	—	20,000
Transfer to revenue - included in donations revenue	(20,852)	(18,750)
Balance, end of year	\$ 362,353	\$ 383,205

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# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

Notes to Financial Statements (continued)

Year ended August 31, 2002

### 3. Deferred contributions (continued):

These donations become available for disbursement as follows:

2003	\$	32,186
2004		37,340
2005		35,002
2006		33,115
2007		50,754
2008		46,020
2009		52,757
2010		55,179
2011		20,000
	\$	362,353

Interest income earned on these donations is available for disbursement at the discretion of the Foundation. Interest earned has been included in revenue.

### 4. Commitments:

CMSF has entered into a long term lease agreement for rental space commencing May 1, 2002 until April 30, 2007 with 2 optional renewal terms of 60 months each.

During the year, fifteen CMSF National awards and fifteen Garfield Weston National awards were granted. Each National Award consists of a cash grant for the first year of university, at \$6,000, each 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 CMSF trustees. The maximum payable is as follows:

	Awards	Lease	Total
2003	\$ 1,005,500	\$ 32,810	\$ 1,038,310
2004	788,500	32,810	821,310
2005	576,000	32,810	608,810
2006	198,000	32,810	230,810
2007	–	21,873	21,873
	\$ 2,568,000	\$ 153,113	\$ 2,721,113

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

Notes to Financial Statements (continued)

Year ended August 31, 2002

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## 5. Pledges of financial support:

At August 31, 2002, the amount of unrecorded pledges of financial support to be received is as follows:

	University	GWMSC	Total
2003	\$ 794,625	\$ 903,855	\$ 1,698,480
2004	867,000	1,547,195	2,414,195
2005	930,000	2,091,782	3,021,782
	<u>\$ 2,591,625</u>	<u>\$ 4,542,832</u>	<u>\$ 7,134,457</u>

## 6. Comparative figures:

Certain comparative figures have been re-classified to conform with the financial statement presentation adopted for the current year.

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

Schedule 1 - University Program

Year ended August 31, 2002

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Revenue:	
Donations	\$ 1,454,753
Interest and other income	93,216
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	1,547,969
Expenditures:	
Non-grant expenditures:	
Wages, salaries and honoraria	227,833
Travel	39,771
Office, telephone and printing	37,961
Professional fees	15,176
Depreciation	8,452
Fundraising	5,137
Miscellaneous	4,513
	<hr/>
	338,843
Awards and grants:	
National awards	604,384
Travel and other special grants	128,444
Regional and finalist awards	112,000
Provincial awards granted	69,500
Final selection weekends	51,956
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	966,284
Total expenditures	<hr/>
	1,305,127
Excess of revenue over expenditures	<hr/>
	\$ 242,842

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# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

Schedule 2 - College Program

(Funded entirely by "The W. Garfield Weston Foundation")

Year ended August 31, 2002

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Revenue:	
Donations	\$ 545,349
Expenditures:	
Non-grant expenditures:	
Salaries and honoraria	131,683
Office, telephone and printing	43,019
Travel	20,055
Depreciation	9,640
Professional fees	6,176
Miscellaneous	703
	<hr/> 211,276
Awards and grants:	
National awards	294,900
Regional awards	67,500
Final selection weekends	44,077
Travel and other special grants	29,177
Provincial awards	25,000
	<hr/> 460,654
Total expenditures	671,930
Excess of revenue over expenditures	<hr/> \$ (126,581) <hr/>