

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

2006 Financial Statements

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LA FONDATION CANADIENNE DES BOURSES DE MÉRITE**
2006 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, 2006 and the statement 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, 2006 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

July 6, 2006

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

Balance Sheet as at April 30

	2006	2005
ASSETS		
Current assets		
Cash	\$ 273,839	\$ 41,972
Accrued interest and other receivables	95,189	55,366
Prepaid expenses	16,698	10,312
	<hr/>	<hr/>
	385,726	107,650
Investments (note 3)	1,602,702	1,249,844
	<hr/>	<hr/>
	\$ 1,988,428	\$ 1,357,494
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 209,319	\$ 14,000
Deferred contributions (note 5)	547,210	257,825
	<hr/>	<hr/>
	756,529	271,825
Net assets		
Unrestricted	1,231,899	1,085,669
	<hr/>	<hr/>
	\$ 1,988,428	\$ 1,357,494
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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 and Changes in Net Assets
Year Ended April 30

	2006	2005
Revenue		
Donations	\$ 2,964,138	\$ 2,400,246
Interest and other income	89,475	110,861
	<hr/>	<hr/>
	3,053,613	2,511,107
	<hr/>	<hr/>
Expenses		
Employment costs	363,099	494,901
Administration	123,430	119,644
Communication and outreach	76,264	108,059
Selection costs	24,780	20,497
Professional fees	14,266	32,953
Scholar management	6,903	8,149
	<hr/>	<hr/>
	608,742	784,203
	<hr/>	<hr/>
Grants and awards		
National awards	1,650,000	1,490,500
Finalist awards	82,500	100,000
Regional awards	136,000	129,500
Provincial awards	118,500	85,500
Other grants	31,722	77,005
Summer travel study grants	205,135	235,453
National interview weekend grants	74,784	102,740
	<hr/>	<hr/>
	2,298,641	2,220,698
	<hr/>	<hr/>
	2,907,383	3,004,901
	<hr/>	<hr/>
Excess (deficiency) of revenue over expenses	146,230	(493,794)
Unrestricted net assets, beginning of year	1,085,669	1,579,463
	<hr/>	<hr/>
Unrestricted net assets, end of year	\$ 1,231,899	\$ 1,085,669
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See accompanying notes

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

Notes to Financial Statements
Year Ended April 30, 2006

1. Purpose of the Organization

The purpose of The Canadian Merit Scholarship Foundation / La Fondation Canadienne Des Bourses De Mérite (the "Foundation" or "CMSF") is to identify and support well-rounded students who combine distinguished talents with character, leadership potential and a commitment to service. 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.

Revenue recognition

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 deferred and recognized as revenue in the year in which the related expenses are incurred.

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.

Awards

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

National awards which are renewable for up to four academic years are subject to certain conditions placed on the award winners and are rewarded at the discretion of the Directors of the Foundation. As such, awards related to future periods are not recorded until the conditions have been met and a firm commitment has been made. Outstanding awards of future periods are disclosed in note 6.

Although no liability is recorded for future renewals, it is the intent of the Foundation to have sufficient funds invested at all times such that all current university National award holders could be funded to the completion of their program if the Foundation were to cease operations.

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

Notes to Financial Statements
Year Ended April 30, 2006

2. Summary of Significant Accounting Policies - continued

Investments

Long-term investments are carried at cost, or at cost less amounts written off to reflect a decline in value which is other than temporary.

Furniture and equipment

Furniture and equipment is recorded at cost and is amortized on a straight-line basis over a period of three years.

3. Investments

Investments comprise government and government guaranteed bonds (with maturities from 2006 to 2015 and interest rates between 2.25% and 6.75%) and the cash surrender value of a life insurance policy.

The market value of the investments is \$1,597,759 (2005 - \$1,289,601).

4. Furniture and Equipment

The cost and accumulated amortization of furniture and equipment is \$92,261.

5. 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 for donations received to be disbursed to national scholars over a four-year period. Interest income earned on these donations is available for disbursement at the discretion of the Directors.

Deferred contributions consist of the following:

	2006	2005
Balance, beginning of year	\$ 257,825	\$ 292,827
Contributions	417,500	-
Recognized as revenue (included in donations revenue)	(128,115)	(35,002)
Balance, end of year	\$ 547,210	\$ 257,825

These donations become available for disbursement as follows:

2007	\$ 158,254
2008	153,520
2009	141,507
2010	73,929
2011	20,000
	\$ 547,210

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

Notes to Financial Statements
Year Ended April 30, 2006

6. Commitments

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

During the year, 15 CMSF National awards and 15 CMSF/Weston National awards were granted. Each CMSF National Award consists of a cash grant for the first year of university of \$8,000, 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 CMSF/Weston National award holders through the completion of their undergraduate studies.

The commitments of the Foundation are as follows:

	CMSF National Awards	CMSF/Weston National Awards	Leases	Total
2007	\$ 354,000	464,000	29,476	\$ 847,476
2008	300,000	352,000	7,603	659,603
2009	228,000	232,000	7,603	467,603
2010	120,000	120,000	7,603	247,603
2011 and thereafter	-	-	9,504	9,504
	\$ 1,002,000	1,168,000	61,789	\$ 2,231,789

7. Fair Value of Financial Instruments

The carrying value of cash, accrued interest and other receivables, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or due to the fact that they are receivable or payable upon demand.

The fair value of investments is disclosed in note 3.

8. 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.

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /
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Year Ended April 30
University Program

Schedule 1

	2006	2005
Revenue		
Donations	\$ 1,486,483	\$ 1,391,874
Interest and other income	89,475	110,861
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	1,575,958	1,502,735
	<hr/>	<hr/>
Expenses		
Employment costs	229,445	314,109
Administration	63,439	63,556
Communication and outreach	34,544	43,533
Selection costs	13,354	18,903
Professional fees	7,133	25,435
Scholar management	4,392	4,763
	<hr/>	<hr/>
	352,307	470,299
	<hr/>	<hr/>
Grants and awards		
National awards	750,000	731,000
Finalist awards	82,500	100,000
Regional awards	-	49,500
Provincial awards	58,500	28,000
Other grants	10,722	23,000
Summer travel study grants	129,620	106,298
National interview weekend grants	46,079	42,600
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	1,077,421	1,080,398
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	1,429,728	1,550,697
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Excess (deficiency) of revenue over expenses	\$ 146,230	\$ (47,962)

See accompanying notes

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

Schedule 2

	2006	2005
Revenue		
Donations	\$ 1,477,655	\$ 1,008,372
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Expenses		
Employment costs	133,653	180,792
Administration	59,990	56,088
Communication and outreach	41,720	64,526
Selection costs	11,427	1,594
Professional fees	7,134	7,518
Scholar management	2,511	3,386
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	256,435	313,904
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Grants and awards		
National awards	900,000	759,500
Regional awards	136,000	80,000
Provincial awards	60,000	57,500
Other grants	21,000	54,005
Summer travel study grants	75,515	129,155
National interview weekend grants	28,705	60,140
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	1,221,220	1,140,300
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	1,477,655	1,454,204
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Excess (deficiency) of revenue over expenses	\$ -	\$ (445,832)

See accompanying notes