

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

2008 Financial Statements

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LA FONDATION CANADIENNE DES BOURSES DE MÉRITE**
2008 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, 2008 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, 2008 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.

Chartered Accountants, Licensed Public Accountants
July 11, 2008

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

Balance Sheet as at April 30

	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	\$ 278,539	\$ 258,952
Accrued interest and other receivables	58,529	56,589
Prepaid expenses	24,104	24,950
	<hr/>	<hr/>
	361,172	340,491
Investments (note 5)	2,612,790	2,035,896
Furniture and equipment (note 6)	7,085	-
	<hr/>	<hr/>
	\$ 2,981,047	\$ 2,376,387
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 105,867	\$ 103,479
Deferred contributions (note 7)	1,355,139	863,581
	<hr/>	<hr/>
	1,461,006	967,060
Net assets		
Invested in furniture and equipment	7,085	-
Unrestricted		
Cumulative excess of revenue over expenses	1,526,934	1,409,327
Cumulative net unrealized losses on available for sale financial assets	(13,978)	-
	<hr/>	<hr/>
	1,520,041	1,409,327
	<hr/>	<hr/>
	\$ 2,981,047	\$ 2,376,387
	<hr/> <hr/>	<hr/> <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

	2008	2007
Revenue		
Donations	\$ 3,322,044	\$ 3,269,676
Interest and other income	114,235	100,779
	<hr/>	<hr/>
	3,436,279	3,370,455
	<hr/>	<hr/>
Expenses		
Employment costs	509,993	464,188
Administration	172,560	166,593
Communication and outreach	90,702	108,340
Selection costs	39,379	24,670
Professional fees	14,096	10,862
Scholar management	10,590	11,280
	<hr/>	<hr/>
	837,320	785,933
	<hr/>	<hr/>
Grants and awards		
National awards	1,716,000	1,683,000
Finalist awards	105,000	95,000
Regional awards	132,000	128,000
Provincial awards	157,000	135,000
Other grants	33,000	33,475
Summer travel study grants	205,715	205,280
National interview weekend grants	90,857	91,029
Scholar retreat	34,695	36,310
	<hr/>	<hr/>
	2,474,267	2,407,094
	<hr/>	<hr/>
	3,311,587	3,193,027
	<hr/>	<hr/>
Excess of revenue over expenses	\$ 124,692	\$ 177,428

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

	2008				2007
	Invested in Furniture and Equipment	Unrestricted Excess of Revenues Over Expenses	Unrestricted Net Unrealized Losses on Available for Sale Financial Assets	Total	Total
Balance, beginning of year	\$ -	1,409,327	-	\$ 1,409,327	\$ 1,231,899
Accounting change (note 2)	-	-	(19,049)	(19,049)	-
Balance, beginning of year, reflecting accounting change	-	1,409,327	(19,049)	1,390,278	1,231,899
Excess (deficiency) of revenues over expenses	(787)	125,479	-	124,692	177,428
Invested in property and equipment	7,872	(7,872)	-	-	-
Cumulative unrealized loss on available for sale financial assets transferred to the statement of operations on sale	-	-	2,182	2,182	-
Net unrealized gain on available for sale financial assets during the year	-	-	2,889	2,889	-
	\$ 7,085	1,526,934	(13,978)	\$ 1,520,041	\$ 1,409,327

See accompanying notes

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

Notes to Financial Statements
Year Ended April 30, 2008

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. Change in Accounting Policy

Effective May 1, 2008, the Foundation adopted the provisions of CICA Section 3855, Financial Instruments - Recognition and Measurement and CICA Section 3861, Financial Instruments - Disclosure and Presentation which address the classification, recognition, measurement, disclosure and presentation of financial instruments. As a result of adopting these changes, all financial instruments previously measured at cost are now measured at fair value or amortized cost using the effective interest rate method.

All changes, consistent with the new standard, have been applied retroactively without restatement. The adoption of the provisions resulted in a decrease in investments of \$13,978, a decrease in opening net assets of \$19,049, and an increase in current year net assets of \$5,071.

3. 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. Fair value was determined based on quoted market value. 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 MERIT SCHOLARSHIP FOUNDATION / LA FONDATION CANADIENNE DES BOURSES DE MÉRITE

Notes to Financial Statements
Year Ended April 30, 2008

3. Summary of Significant Accounting Policies - continued

Cash equivalents

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

Furniture and equipment

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

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 as these services are not normally purchased by the Foundation and because of the difficulty in determining their fair value.

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 a liability is not recorded for commitments beyond the current year.

Accounting changes

The CICA has issued the following accounting standards which are applicable to the Foundation but not effective until fiscal 2009. The adoption of the new standards is not expected to have a material impact on the financial statements.

Section 1535, Capital Disclosures, requires entities to disclose their objectives, policies and processes for managing capital, as well as quantitative data about capital. The Section does not define capital but requires an entity to tell readers what it regards as capital. Capital could include items such as cash and investments.

Section 3862, Financial Instruments - Disclosures, places increased emphasis on risk disclosure. Entities are required to provide both qualitative and quantitative information about exposures to risks arising from financial instruments, including credit, interest rate, liquidity, currency and other price risks. This Section also requires disclosure on determining fair values of financial instruments.

Section 3863, Financial Instruments - Presentation, while a new section, is consistent with the previous requirements regarding the presentation for financial instruments.

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /
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Notes to Financial Statements
Year Ended April 30, 2008

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.

5. Investments

Investments consist of corporate and government guaranteed bonds (with maturities from 2008 to 2011 and interest rates between 3% and 6%).

6. Furniture and Equipment

	2008			2007
	Cost	Accumulated Amortization	Net	Net
Furniture and equipment	\$ 85,356	78,271	\$ 7,085	\$ -

The cost and accumulated amortization of furniture and equipment in 2007 was \$92,261. Included in administration expense is \$787 (2007 - \$Nil) 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.

Deferred contributions consist of the following:

	2008	2007
Balance, beginning of year	\$ 863,581	\$ 547,210
Contributions	886,389	527,750
Recognized as revenue (included in donations revenue)	(394,831)	(211,379)
Balance, end of year	\$ 1,355,139	\$ 863,581

These donations become available for disbursement as follows:

2009	\$ 603,333
2010	400,505
2011	258,034
2012	93,267
	\$ 1,355,139

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /
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Notes to Financial Statements
Year Ended April 30, 2008

8. Commitments

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

During the year, 15 LORAN awards and 15 LORAN/Weston awards were granted. Each LORAN 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 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.

The commitments of the Foundation are as follows:

	LORAN Awards	LORAN/Weston Awards	Leases	Total
2009	\$ 480,000	448,000	58,709	\$ 986,709
2010	360,000	352,000	58,709	770,709
2011	240,000	240,000	58,709	538,709
2012	120,000	120,000	18,916	258,916
	<hr/> \$ 1,200,000	<hr/> 1,160,000	<hr/> 195,043	<hr/> \$ 2,555,043 <hr/>

9. Financial Instruments

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

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

University Program
Year Ended April 30

Schedule 1

	2008	2007
Revenue		
Donations	\$ 1,716,648	\$ 1,729,620
Interest and other income	114,235	100,779
	<hr/>	<hr/>
	1,830,883	1,830,399
	<hr/>	<hr/>
Expenses		
Employment costs	280,039	264,226
Administration	87,493	94,644
Communication and outreach	42,075	58,733
Selection costs	23,870	15,651
Professional fees	7,048	5,583
Scholar management	6,276	7,013
	<hr/>	<hr/>
	446,801	445,850
	<hr/>	<hr/>
Grants and awards		
National awards	848,000	815,000
Finalist awards	105,000	95,000
Provincial awards	82,000	60,000
Other grants	9,000	13,475
Summer travel study grants	123,160	132,480
National interview weekend grants	57,535	54,856
Scholar retreat	34,695	36,310
	<hr/>	<hr/>
	1,259,390	1,207,121
	<hr/>	<hr/>
	1,706,191	1,652,971
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Excess of revenue over expenses	\$ 124,692	\$ 177,428

See accompanying notes

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /
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Schedule 2

College Program
Year Ended April 30

	2008	2007
Revenue		
Donations	\$ 1,605,396	\$ 1,540,056
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Expenses		
Employment costs	229,954	199,962
Administration	85,067	71,949
Communication and outreach	48,627	49,607
Selection costs	15,509	9,019
Professional fees	7,048	5,279
Scholar management	4,314	4,267
<hr/>		
	390,519	340,083
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Grants and awards		
National awards	868,000	868,000
Regional awards	132,000	128,000
Provincial awards	75,000	75,000
Other grants	24,000	20,000
Summer travel study grants	82,555	72,800
National interview weekend grants	33,322	36,173
<hr/>		
	1,214,877	1,199,973
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	1,605,396	1,540,056
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Excess of revenue over expenses	\$ -	\$ -
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See accompanying notes