

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

2010 Financial Statements

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LA FONDATION CANADIENNE DES BOURSES DE MÉRITE**
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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, 2010 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 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, 2010 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
July 15, 2010

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

Balance Sheet
As at April 30

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	\$ 370,899	\$ 655,190
Accrued interest and other receivables	35,742	32,835
Prepaid expenses	62,700	35,951
	469,341	723,976
Long term assets		
Investments (note 5)	4,000,733	2,744,514
Furniture and equipment (note 6)	4,534	5,668
	\$ 4,474,608	\$ 3,474,158
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 119,685	\$ 113,565
Deferred contributions (note 7)	951,029	847,572
Long term liabilities		
Deferred contributions (note 7)	835,795	755,662
	1,906,509	1,716,799
Net assets		
Invested in furniture and equipment	4,534	5,668
Tomorrow Fund		
Externally restricted endowment	531,469	15,789
Internally restricted endowment	550,000	400,000
Internally restricted for future distribution	5,826	3,398
Cumulative net unrealized gain on available for sale financial assets	88,886	17,185
Unrestricted		
Cumulative excess of revenue over expenses	1,386,086	1,308,352
Cumulative net unrealized gain on available for sale financial assets	1,298	6,967
	2,568,099	1,757,359
	\$ 4,474,608	\$ 3,474,158

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

	2010	2009
Revenue		
Donations	\$ 3,100,948	\$ 3,338,690
Interest and other income	79,423	69,049
Tomorrow Fund interest and other income (note 8)	33,062	5,112
	<hr/> 3,213,433	<hr/> 3,412,851
Expenses		
Employment costs	530,718	508,746
Administration	170,267	155,375
Communication and outreach	63,812	110,782
Selection costs	22,041	36,643
Professional fees	15,271	15,298
Scholar management	9,553	9,511
	<hr/> 811,662	<hr/> 836,355
Grants and awards		
National awards	1,607,053	1,600,000
Finalist awards	105,000	108,000
Regional awards	-	128,000
Provincial awards	66,000	146,000
Other grants	4,570	33,000
Summer travel study grants	192,570	226,969
National interview weekend grants	80,056	75,729
Scholar retreat and orientation expedition	78,313	33,929
Leadership forum	39,181	41,470
	<hr/> 2,172,743	<hr/> 2,393,097
	<hr/> 2,984,405	<hr/> 3,229,452
Excess of revenue over expenses	<hr/> <hr/> \$ 229,028	<hr/> <hr/> \$ 183,399

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

	2010							2009	
	Tomorrow Fund				Unrestricted			Total	Total
	Invested in Furniture and Equipment	Externally Restricted Endowment	Internally Restricted Endowment	Internally Restricted for Future Distribution	Cumulative Net Unrealized Gain On Available For Sale Financial Assets	Cumulative Excess of Revenue Over Expenses	Cumulative Net Unrealized Gain On Available For Sale Financial Assets		
Balance, beginning of year	\$ 5,668	\$ 15,789	\$ 400,000	\$ 3,398	\$ 17,185	\$ 1,308,352	\$ 6,967	\$ 1,757,359	\$ 1,520,041
Excess (deficiency) of revenue over expenses	(1,134)	-	-	2,428	-	227,734	-	229,028	183,399
Endowment contributions	-	515,680	-	-	-	-	-	515,680	15,789
Fund transfers	-	-	150,000	-	-	(150,000)	-	-	-
Cumulative unrealized (gain) loss on available for sale financial assets reversed on sale of available for sale financial assets	-	-	-	-	(4,688)	-	(3,287)	(7,975)	12,893
Net unrealized gain (loss) on available for sale financial assets during the year	-	-	-	-	76,389	-	(2,382)	74,007	25,237
Balance, end of year	\$ 4,534	\$ 531,469	\$ 550,000	\$ 5,826	\$ 88,886	\$ 1,386,086	\$ 1,298	\$ 2,568,099	\$ 1,757,359

See accompanying notes

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /
LA FONDATION CANADIENNE DES BOURSES DE MÉRITE**
Statement of Cash Flows
Year ended April 30

	2010	2009
Operating activities		
Excess of revenue over expenses	\$ 229,028	\$ 183,399
Item not involving cash		
Amortization	1,134	1,417
	230,162	184,816
Net change in non-cash working capital items		
Accrued interest and other receivables	(2,907)	25,694
Prepaid expenses	(26,749)	(11,847)
Accounts payable and accrued liabilities	6,120	7,698
	(23,536)	21,545
Deferred contributions	183,590	248,095
	160,054	269,640
Cash flows from operating activities	390,216	454,456
Investing activities		
Receipt of externally restricted endowments	515,680	15,789
Purchase of investments	(1,190,187)	(93,594)
Cash flow from investing activities	(674,507)	(77,805)
Net change in cash during the year	(284,291)	376,651
Cash and cash equivalents, beginning of year	655,190	278,539
Cash and cash equivalents, end of year	\$ 370,899	\$ 655,190
Supplemental cash flow information:		
Net change in unrealized gain recorded in investments	\$ 66,032	\$ 38,130

See accompanying notes

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

Notes to Financial Statements
Year ended April 30, 2010

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 ("GAAP"), the more significant of which are outlined below.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 instruments 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, 2010

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 ("the Fund") was established to provide a dependable and sustainable source of income to support the Loran Awards for scholars. The majority of the capital of the Fund is from endowment contributions and the investment income earned on the capital is to be used to support the objective of the Fund.

(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 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.

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

Grants and awards

Grants and 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.

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

Notes to Financial Statements
Year ended April 30, 2010

2. Summary of significant accounting policies - continued

Donated services

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.

Accounting changes

The CICA has not issued any new or revised accounting standards which will have a significant impact on the Foundation's financial statements that will be required to be adopted in its next fiscal year.

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. The Foundation maintains sufficient funds to pay out all anticipated stipends to in-stream Scholars (note 8).

Management provides to the Executive Committee of the Board of Directors 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 of Directors for approval of the budget. Management compares actual results to the budget and reports these results to the Executive Committee and the Board of Directors quarterly.

A portion of the Foundation's capital is deferred and restricted as described in note 2 under the headings net assets and revenue recognition. 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.

5. Investments

Investments consist of corporate and government guaranteed bonds (with maturities from 2010 to 2014 and interest rates between 0.43% and 4%), as well as index funds.

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /
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Notes to Financial Statements
Year ended April 30, 2010

6. Furniture and equipment

	2010			2009
	Cost	Accumulated Amortization	Net	Net
Furniture and equipment	\$ 85,356	\$ 80,822	\$ 4,534	\$ 5,668

Included in administration expense is \$1,134 (2009 - \$1,417) 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.

	2010	2009
Balance, beginning of year	\$ 1,603,234	\$ 1,355,139
Contributions	1,031,162	847,572
Recognized as revenue (included in donations revenue)	(847,572)	(599,477)
Balance, end of year	\$ 1,786,824	\$ 1,603,234

These donations become available for disbursement as follows:

	2010
2011	\$ 951,029
2012	475,364
2013	263,447
2014	90,180
2015	6,804
	\$ 1,786,824

8. Net assets of the Tomorrow Fund

During the year, the Tomorrow Fund earned investment and other income of \$33,062 (2009 - \$5,112) and incurred expenses of \$10,825 (2009 - \$1,714). The cumulative net income available for distribution was \$25,635 of which \$19,809 was distributed in fiscal 2010.

As at April 30, 2010, the unrealized gains on the investments in the Fund were \$88,886 (2009 - \$17,185).

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

Notes to Financial Statements
Year ended April 30, 2010

9. Commitments

During the year, 15 Loran awards and 15 W. Garfield Weston Loran awards were granted. Each award consists of a cash grant of \$8,000 for the first year of university.

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 W. Garfield Weston Loran 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:

	Loran Awards	W. Garfield Weston Loran Awards	Leases	Total
2011	\$ 472,000	\$ 460,000	\$ 58,893	\$ 990,893
2012	352,000	352,000	58,893	762,893
2013	240,000	240,000	24,803	504,803
2014	120,000	120,000	7,787	247,787
2015	-	-	1,298	1,298
	<u>\$ 1,184,000</u>	<u>\$ 1,172,000</u>	<u>\$ 151,674</u>	<u>\$ 2,507,674</u>

10. 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.

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

Schedule 1

	2010	2009
Revenue		
Donations	\$ 1,844,584	\$ 1,825,228
Interest and other income	79,423	69,049
Tomorrow Fund interest and other income (note 8)	33,062	5,112
	<hr/> 1,957,069	<hr/> 1,899,389
Expenses		
Employment costs	287,229	265,724
Administration	96,387	80,962
Communication and outreach	24,232	52,824
Selection costs	13,077	20,480
Professional fees	7,635	7,750
Scholar management	2,922	10,610
	<hr/> 431,482	<hr/> 438,350
Grants and awards		
National awards	839,053	844,000
Finalist awards	105,000	108,000
Provincial awards	66,000	76,000
Other grants	4,570	11,000
Summer travel study grants	148,110	154,569
National interview weekend grants	55,513	50,142
Scholar retreat and orientation expedition	78,313	33,929
	<hr/> 1,296,559	<hr/> 1,277,640
	<hr/> 1,728,041	<hr/> 1,715,990
Excess of revenue over expenses	<hr/> <hr/> \$ 229,028	<hr/> <hr/> \$ 183,399

See accompanying notes

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

Schedule 2

	2010	2009
Revenue		
Donations	\$ 1,256,364	\$ 1,513,462
<hr/>		
Expenses		
Employment costs	243,489	243,022
Administration	73,880	74,412
Communication and outreach	39,580	54,144
Selection costs	8,964	16,163
Professional fees	7,636	7,549
Scholar management	6,631	2,715
<hr/>		
	380,180	398,005
<hr/>		
Grants and awards		
National awards	768,000	756,000
Regional awards	-	128,000
Provincial awards	-	70,000
Other grants	-	22,000
Summer travel study grants	44,460	72,400
National interview weekend grants	24,543	25,587
Leadership forum	39,181	41,470
<hr/>		
	876,184	1,115,457
<hr/>		
	1,256,364	1,513,462
<hr/>		
Excess of revenue over expenses	\$ -	\$ -
<hr/>		

See accompanying notes