

Financial Statements of

**THE CANADIAN MERIT SCHOLARSHIP  
FOUNDATION**

Year ended August 31, 2003



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## **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, 2003 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 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 referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the as at August 31, 2003 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 taken as a whole. The supplementary information included in the 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

Toronto, Canada

November 21, 2003

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

## Statement of Financial Position

August 31, 2003, with comparative figures for 2002

	2003	2002
<b>Assets</b>		
Current assets:		
Cash	\$ 1,013,040	\$ 764,412
Accrued interest and other receivables	69,906	78,401
Prepaid expenses	2,067	-
	<u>1,085,013</u>	<u>842,813</u>
Investments, at cost (note 2)	1,524,893	1,430,761
Capital assets	90,318	87,867
Less accumulated amortization	74,197	56,382
	<u>16,121</u>	<u>31,485</u>
	<u>\$ 2,626,027</u>	<u>\$ 2,305,059</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 16,542	\$ 14,995
Awards payable	1,628,150	1,124,700
	<u>1,644,692</u>	<u>1,139,695</u>
Deferred contributions (note 3)	330,167	362,353
Net assets:		
Unrestricted	635,047	771,526
Invested in capital assets	16,121	31,485
	<u>651,168</u>	<u>803,011</u>
Commitments (note 4)		
	<u>\$ 2,626,027</u>	<u>\$ 2,305,059</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, 2003, with comparative figures for 2002

	2003	2002
Revenue:		
Donations	\$ 2,538,848	\$ 2,000,102
Interest and other income	84,920	93,216
	<u>2,623,768</u>	<u>2,093,318</u>
Expenditures:		
Non-grant expenditures:		
Salaries and honoraria	385,268	359,516
Office	133,077	60,713
Travel	69,246	59,826
Rent	59,846	20,267
Professional fees	33,603	21,352
Amortization	17,815	18,092
Miscellaneous	5,481	5,216
Fundraising	4,636	5,137
	<u>708,972</u>	<u>550,119</u>
Awards and grants:		
GWMSC awards	987,250	387,400
National awards	605,250	604,384
Travel and other grants	208,821	157,621
Regional and finalist awards	109,500	112,000
Final selection weekends	97,318	96,033
Provincial awards	58,500	69,500
	<u>2,066,639</u>	<u>1,426,938</u>
	<u>2,775,611</u>	<u>1,977,057</u>
Excess of revenue over expenditures	\$ (151,843)	\$ 116,261

See accompanying notes to financial statements.

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

## Statement of Changes in Net Assets

Year ended August 31, 2003, with comparative figures for 2002

			2003	2002
	Invested in capital assets	Unrestricted	Total	Total
Balance, beginning of year	\$ 31,485	\$ 771,526	\$ 803,011	\$ 686,750
Excess of revenue over expenditures (expenditures over revenue)	(17,815)	(134,028)	(151,843)	116,261
Investment in capital assets	2,451	(2,451)	-	-
Balance, end of year	\$ 16,121	\$ 635,047	\$ 651,168	\$ 803,011

See accompanying notes to financial statements.

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

## Statement of Cash Flows

Year ended August 31, 2003, with comparative figures for 2002

	2003	2002
Cash flows from operating activities:		
Excess of revenue over expenditures	\$ (151,843)	\$ 116,261
Depreciation	17,815	18,092
Net change in non-cash operating working capital	511,425	194,767
(Decrease) increase in deferred contributions relate to operations	(32,186)	(20,852)
(Gain) loss on disposal of capital assets	-	(427)
Cash flows from operating activities	345,211	307,841
Cash flows from financing and investing activities:		
Purchase of capital assets	(2,451)	(43,462)
Purchase of investments	(94,132)	(58,495)
Proceeds on disposal of capital assets	-	1,110
Cash flows used in financing and investing activities	(96,583)	(100,847)
Increase in cash and short-term deposits	248,628	206,994
Cash, beginning of year	764,412	557,418
Cash, end of year	\$ 1,013,040	\$ 764,412

See accompanying notes to financial statements.

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

Notes to Financial Statements

Year ended August 31, 2003

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The Canadian Merit Scholarship Foundation ("CMSF") is a trust which was formed in 1989 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.

### (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 2004 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.

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

Notes to Financial Statements (continued)

Year ended August 31, 2003

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## 1. Significant accounting policies (continued):

### (d) Capital assets:

Capital assets are stated at cost and consist of computer and office equipment. Amortization 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 2003 to 2012 and cash surrender value of a life insurance policy.

Market value is \$1,608,410 (2002 - \$1,500,482).

## 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	\$	362,353	\$	383,205
Transfer to revenue - included in donations revenue		(32,186)		(20,852)
Balance, end of year	\$	330,167	\$	362,353

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These donations become available for disbursement as follows:

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2004	\$	37,340
2005		35,002
2006		33,115
2007		50,754
2008		46,020
2009		52,757
2010		55,179
2011		20,000
	\$	330,167

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

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

Notes to Financial Statements (continued)

Year ended August 31, 2003

## 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, sixteen 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 \$7,000 (2002 - \$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
2004	\$ 1,301,700	\$ 32,810	\$ 1,334,510
2005	1,132,700	32,810	1,165,510
2006	710,000	32,810	742,810
2007	214,000	21,873	235,873
	\$ 3,358,400	\$ 120,303	\$ 3,478,703

## 5. Pledges of financial support:

At August 31, 2003, the amount of unrecorded pledges of financial support to be received is as follows:

	University	GWMSC	Total
2004	\$ 771,000	\$ 1,443,695	\$ 2,214,695
2005	831,000	1,996,782	2,827,782
2006	855,000	2,457,092	3,312,092
2007	855,000	2,840,750	3,695,750
	\$ 3,312,000	\$ 8,738,319	\$ 12,050,319

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

Notes to Financial Statements (continued)

Year ended August 31, 2003

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## **6. Fair value of financial assets and financial liabilities:**

The carrying value of cash, accrued interest and other receivables, accounts payable and accrued liabilities and awards payable 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 2.

## **7. Incorporation:**

On November 15 2002, the Foundation incorporated, without share capital, a new organization. Application has been made to the Canada Customs and Revenue Agency to have the assets, liabilities and net assets of the existing Foundation transferred to this new organization and to have the current charitable status transferred to the new organization.

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

Schedule 1 - University Program

Year ended August 31, 2003, with comparative figures for 2002

	2003	2002
<b>Revenue:</b>		
Donations	\$ 1,308,814	\$ 1,454,753
Interest and other income	84,920	93,216
	<u>1,393,734</u>	<u>1,547,969</u>
<b>Expenditures:</b>		
Non-grant expenditures:		
Salaries and honoraria	229,298	227,833
Office	48,642	27,828
Travel	43,038	39,771
Rent	29,923	10,133
Professional fees	25,323	15,176
Amortization	8,908	8,452
Miscellaneous	4,369	4,513
Fundraising	4,636	5,137
	<u>394,137</u>	<u>338,843</u>
Awards and grants:		
National awards	605,250	604,384
Travel and other grants	141,536	128,444
Regional and finalist awards	109,500	112,000
Final selection weekends	36,484	51,956
Provincial awards	58,500	69,500
Secondary school awards	18,000	-
	<u>969,270</u>	<u>966,284</u>
Total expenditures	1,363,407	1,305,127
Excess of revenue over expenditures	\$ 30,327	\$ 242,842

# THE CANADIAN MERIT SCHOLARSHIP FOUNDATION

Schedule 2 - College Program

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

Year ended August 31, 2003, with comparative figures for 2002

	2003	2002
Revenue:		
Donations	\$ 1,230,034	\$ 545,349
Expenditures:		
Non-grant expenditures:		
Salaries and honoraria	155,970	131,683
Office	84,435	32,886
Travel	26,208	20,055
Rent	29,923	10,133
Professional fees	8,280	6,176
Amortization	8,907	9,640
Miscellaneous	1,112	703
	<u>314,835</u>	<u>211,276</u>
Awards and grants:		
National awards	763,750	294,900
Regional awards	124,000	67,500
Final selection weekends	60,834	44,077
Travel and other grants	10,285	29,177
Provincial awards	99,500	25,000
Secondary school awards	39,000	-
	<u>1,097,369</u>	<u>460,654</u>
Total expenditures	1,412,204	671,930
Excess of revenue over expenses	\$ (182,170)	\$ (126,581)