

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

2005 Financial Statements

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /
LA FONDATION CANADIENNE DES BOURSES DE MÉRITE**
2005 Financial Statements

Contents

	Page
Auditors' Report	1
Balance Sheet	2
Statement of Operations	3
Statement of Changes in Net Assets	4
Notes to Financial Statements	5 - 8
Schedule 1 - University Program	9
Schedule 2 - College Program	10

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, 2005 and the statements 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 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, 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, 2005 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.

The 2004 financial statements were reported upon by another firm of chartered accountants.

PKF Hill LLP

August 19, 2005

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

Balance Sheet as at April 30

	2005	2004
ASSETS		
Current assets		
Cash	\$ 41,972	\$ 286,894
Accrued interest and other receivables	55,366	62,375
Prepaid expenses	10,312	1,379
	107,650	350,648
Investments (note 4)	1,249,844	1,527,726
Furniture and equipment (note 5)	-	2,111
	\$ 1,357,494	\$ 1,880,485
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 14,000	\$ 8,195
Deferred contributions (note 6)	257,825	292,827
	271,825	301,022
Net assets		
Invested in furniture and equipment	-	2,111
Unrestricted	1,085,669	1,577,352
	1,085,669	1,579,463
	\$ 1,357,494	\$ 1,880,485

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

	12 Months Ended April 30, 2005	8 Months Ended April 30, 2004 (note 2)
Revenue		
Donations	\$ 2,400,246	\$ 1,560,552
Interest and other income	110,861	40,872
	<hr/> 2,511,107	<hr/> 1,601,424
Expenses		
Employment costs	494,901	285,973
Administration	119,644	102,916
Communication and outreach	108,059	47,967
Professional fees	32,953	16,287
Selection costs	20,497	9,568
Scholar management	8,149	2,673
	<hr/> 784,203	<hr/> 465,384
Grants and awards		
National awards	1,490,500	14,500
Finalist awards	100,000	-
Regional awards	129,500	-
Provincial awards	85,500	-
Other grants	77,005	-
Summer travel study grants	235,453	125,936
National interview weekend grants	102,740	67,309
	<hr/> 2,220,698	<hr/> 207,745
	<hr/> 3,004,901	<hr/> 673,129
Excess (deficiency) of revenue over expenses	<hr/> <hr/> \$ (493,794)	<hr/> <hr/> \$ 928,295

See accompanying notes

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

Statement of Changes in Net Assets

		12 Months Ended April 30, 2005		8 Months Ended April 30, 2004 (note 2)
	Invested in Furniture and Equipment	Unrestricted	Total	Total
Balance, beginning of year	\$ 2,111	1,577,352	\$ 1,579,463	\$ 651,168
Excess (deficiency) of revenue over expenses	(2,111)	(491,683)	(493,794)	928,295
Balance, end of year	\$ -	1,085,669	\$ 1,085,669	\$ 1,579,463

See accompanying notes

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

Notes to Financial Statements
Year Ended April 30, 2005

1. Purpose of the Organization

The purpose of The Canadian Merit Scholarship Foundation / La fondation canadienne des bourses de mérite (the "Foundation") 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. Comparative Balances and Change of Year End

As the activities and operations of the Foundation were not affected by the change in legal status (note 1), the comparative amounts reflected in these financial statements reflect those of the trust. It should also be noted that certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the April 30, 2005 financial statements.

With the change in legal status, the Foundation also changed its year end from August 31 to April 30. Accordingly, the comparative balances in the statements of operations and changes in net assets reflect the results of operations for the eight month period from August 31, 2003 to April 30, 2004.

As awards are recorded based on an academic rather than a fiscal year basis, there were no awards expensed during the eight months ended April 30, 2004. As a result, the Foundation ended its 2004 fiscal year with an excess of revenue over expenses of \$928,295.

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.

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 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.

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

Notes to Financial Statements
Year Ended April 30, 2005

3. Summary of Significant Accounting Policies - continued

Awards

Finalist, Regional, and Provincial awards are one-time awards paid to recipients in September. These awards are recorded as expenses when paid to the recipient.

National awards are renewable for up to four academic years and are paid to recipients in two equal instalments in September and January of each academic year. Renewal of the awards is subject to certain conditions placed on the award winners and is at the discretion of the Directors of the Foundation. As such, no liability is recorded for future renewals of National awards. Outstanding awards that may be renewed at the Directors' discretion are disclosed in note 7.

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 even if the Foundation were to cease operations.

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.

4. Investments

Investments comprise government and government guaranteed bonds (with maturities from 2004 to 2008) and the cash surrender value of a life insurance policy.

The market value of the investments is \$1,289,601 (2004 - \$1,630,744).

5. Furniture and Equipment

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

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

Notes to Financial Statements
Year Ended April 30, 2005

6. 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. Interest income earned on these donations is available for disbursement at the discretion of the Directors.

Deferred contributions consist of the following:

	2005	2004
Balance, beginning of year	\$ 292,827	\$ 330,167
Recognized as revenue (included in donations revenue)	(35,002)	(37,340)
Balance, end of year	<u>\$ 257,825</u>	<u>\$ 292,827</u>

These donations become available for disbursement as follows:

2006	\$ 33,115
2007	50,754
2008	46,020
2009	52,757
2010	55,179
2011	20,000
	<u>\$ 257,825</u>

7. 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 \$6,000, 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	Lease	Total
2006	\$ 330,000	448,000	32,810	\$ 810,810
2007	252,000	360,000	21,873	633,873
2008	180,000	240,000	-	420,000
2009	108,000	144,000	-	252,000
	<u>\$ 870,000</u>	<u>1,192,000</u>	<u>54,683</u>	<u>\$ 2,116,683</u>

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

Notes to Financial Statements
Year Ended April 30, 2005

8. 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 4.

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

University Program

Schedule 1

	12 Months Ended April 30, 2005	8 Months Ended April 30, 2004 (note 2)
Revenue		
Donations	\$ 1,391,874	\$ 777,444
Interest and other income	110,861	40,872
	<hr/> 1,502,735	<hr/> 818,316
Expenses		
Employment costs	314,109	190,650
Administration	63,556	65,443
Communication and outreach	43,533	22,300
Professional fees	25,435	11,511
Selection costs	18,903	9,428
Scholar management	4,763	2,375
	<hr/> 470,299	<hr/> 301,707
Grants and awards		
National awards	731,000	6,500
Finalist awards	100,000	-
Regional awards	49,500	-
Provincial awards	28,000	-
Other grants	23,000	-
Summer travel study grants	106,298	120,202
National interview weekend grants	42,600	67,193
	<hr/> 1,080,398	<hr/> 193,895
	<hr/> 1,550,697	<hr/> 495,602
Excess (deficiency) of revenue over expenses	<hr/> <hr/> \$ (47,962)	<hr/> <hr/> \$ 322,714

See accompanying notes

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

College Program

Schedule 2

	12 Months Ended April 30, 2005	8 Months Ended April 30, 2004 (note 2)
Revenue		
Donations	\$ 1,008,372	\$ 783,108
<hr/>		
Expenses		
Employment costs	180,792	95,323
Administration	56,088	57,473
Communication and outreach	64,526	5,667
Professional fees	7,518	4,776
Selection costs	1,594	140
Scholar management	3,386	298
<hr/>		
	313,904	163,677
<hr/>		
Grants and awards		
National awards	759,500	8,000
Regional awards	80,000	-
Provincial awards	57,500	-
Other grants	54,005	-
Summer travel study grants	129,155	5,734
National interview weekend grants	60,140	116
<hr/>		
	1,140,300	13,850
<hr/>		
	1,454,204	177,527
<hr/>		
Excess (deficiency) of revenue over expenses	\$ (445,832)	\$ 605,581

See accompanying notes