

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

2007 Financial Statements

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LA FONDATION CANADIENNE DES BOURSES DE MÉRITE**
2007 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, 2007 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, 2007 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 4, 2007

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

Balance Sheet as at April 30

	2007	2006
ASSETS		
Current assets		
Cash	\$ 258,952	\$ 273,839
Accrued interest and other receivables	56,589	95,189
Prepaid expenses	24,950	16,698
	<hr/>	<hr/>
	340,491	385,726
Investments (note 3)	2,035,896	1,602,702
	<hr/>	<hr/>
	\$ 2,376,387	\$ 1,988,428
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 103,479	\$ 209,319
Deferred contributions (note 5)	863,581	547,210
	<hr/>	<hr/>
	967,060	756,529
Unrestricted net assets	1,409,327	1,231,899
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	\$ 2,376,387	\$ 1,988,428
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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

	2007	2006
Revenue		
Donations	\$ 3,269,676	\$ 2,964,138
Interest and other income	100,779	89,475
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	3,370,455	3,053,613
	<hr/>	<hr/>
Expenses		
Employment costs	464,188	363,099
Administration	166,593	123,430
Communication and outreach	108,340	76,264
Selection costs	24,670	24,780
Professional fees	10,862	14,266
Scholar management	11,280	6,903
	<hr/>	<hr/>
	785,933	608,742
	<hr/>	<hr/>
Grants and awards		
National awards	1,683,000	1,650,000
Finalist awards	95,000	82,500
Regional awards	128,000	136,000
Provincial awards	135,000	118,500
Other grants	33,475	31,722
Summer travel study grants	205,280	205,135
National interview weekend grants	91,029	74,784
Scholar retreat	36,310	-
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	2,407,094	2,298,641
	<hr/>	<hr/>
	3,193,027	2,907,383
	<hr/>	<hr/>
Excess of revenue over expenses	177,428	146,230
Unrestricted net assets, beginning of year	1,231,899	1,085,669
	<hr/>	<hr/>
Unrestricted net assets, end of year	\$ 1,409,327	\$ 1,231,899
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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, 2007

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 and Canada's future.

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.

LORAN 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 LORAN 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, 2007

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 consist of government and government guaranteed bonds (with maturities from 2007 to 2015 and interest rates between 3.5% and 6%).

The market value of the investments is \$2,051,457 (2006 - \$1,597,759).

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 up to a three to 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:

	2007	2006
Balance, beginning of year	\$ 547,210	\$ 257,825
Contributions	527,750	417,500
Recognized as revenue (included in donations revenue)	(211,379)	(128,115)
Balance, end of year	\$ 863,581	\$ 547,210

These donations become available for disbursement as follows:

2008	\$ 394,811
2009	248,799
2010	181,221
2011	38,750
	\$ 863,581

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /
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Notes to Financial Statements
Year Ended April 30, 2007

6. Commitments

CMSF has entered into a long-term lease agreement for rental space commencing 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.

The commitments of the Foundation are as follows:

	LORAN Awards	LORAN/Weston Awards	Leases	Total
2008	\$ 414,000	464,000	58,709	\$ 936,709
2009	348,000	344,000	58,709	750,709
2010	240,000	240,000	58,709	538,709
2011	120,000	120,000	58,709	298,709
2012 and thereafter	-	-	53,007	53,007
	\$ 1,122,000	1,168,000	287,843	\$ 2,577,843

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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University Program
Year Ended April 30

Schedule 1

	2007	2006
Revenue		
Donations	\$ 1,729,620	\$ 1,486,483
Interest and other income	100,779	89,475
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	1,830,399	1,575,958
	<hr/>	<hr/>
Expenses		
Employment costs	264,226	229,445
Administration	94,644	63,439
Communication and outreach	58,733	34,544
Selection costs	15,651	13,354
Professional fees	5,583	7,133
Scholar management	7,013	4,392
	<hr/>	<hr/>
	445,850	352,307
	<hr/>	<hr/>
Grants and awards		
National awards	815,000	750,000
Finalist awards	95,000	82,500
Provincial awards	60,000	58,500
Other grants	13,475	10,722
Summer travel study grants	132,480	129,620
National interview weekend grants	54,856	46,079
Scholar retreat	36,310	-
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	1,207,121	1,077,421
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	1,652,971	1,429,728
	<hr/>	<hr/>
Excess of revenue over expenses	\$ 177,428	\$ 146,230

See accompanying notes

**THE CANADIAN MERIT SCHOLARSHIP FOUNDATION /
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Schedule 2

College Program
Year Ended April 30

	2007	2006
Revenue		
Donations	\$ 1,540,056	\$ 1,477,655
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Expenses		
Employment costs	199,962	133,653
Administration	71,949	59,990
Communication and outreach	49,607	41,720
Selection costs	9,019	11,427
Professional fees	5,279	7,134
Scholar management	4,267	2,511
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	340,083	256,435
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Grants and awards		
National awards	868,000	900,000
Regional awards	128,000	136,000
Provincial awards	75,000	60,000
Other grants	20,000	21,000
Summer travel study grants	72,800	75,515
National interview weekend grants	36,173	28,705
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	1,199,973	1,221,220
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	1,540,056	1,477,655
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Excess of revenue over expenses	\$ -	\$ -
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See accompanying notes