

ELKHORN & AREA FOUNDATION INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

ELKHORN & AREA FOUNDATION INC.
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INDEPENDENT AUDITORS' REPORT

To the Members of:
Elkhorn & Area Foundation Inc.

Qualified Opinion

I have audited the financial statements of Elkhorn & Area Foundation Inc., which comprise the statement of financial position as at June 30, 2021, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, I was not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2021 and 2020, current assets as at June 30, 2021 and 2020, and net assets as at July 1 and June 30 for both the 2021 and 2020 years. My audit opinion on the financial statements for the year ended June 30, 2020 was modified accordingly because of the possible effects of this limitation in scope.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

**Virden, MB
January 1, 2022**

Chartered Professional Accountant Ltd.

ELKHORN & AREA FOUNDATION INC.
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

JUNE 30	2021	2020
Assets		
Current		
Cash and cash equivalents	\$ 20,489	\$ 25,058
GST rebate receivable	108	-
	20,597	25,058
Long-term investments (Note 3)	1,750,086	1,500,339
	\$ 1,770,683	\$ 1,525,397
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable (Note 4)	\$ 8,531	\$ 6,529
Fund Balances		
Operating fund	23,758	15,632
Restricted fund	77,871	67,607
Endowment fund	1,660,523	1,435,629
	1,762,152	1,518,868
	\$ 1,770,683	\$ 1,525,397

Approved on Behalf of the Board

_____ Director

_____ Director

See Notes to Financial Statements

ELKHORN & AREA FOUNDATION INC.**STATEMENT OF OPERATIONS****FOR THE YEAR ENDED JUNE 30, 2021**

	Operating Fund	Restricted Fund	Endowment Fund	2021	2020
Revenue					
Investment Income (Note 5)	\$ 41	\$ 13,116	\$ 280,226	\$ 293,383	\$ 50,084
Grants	9,921	-	-	9,921	26,571
Donations	-	-	22,398	22,398	44,655
	9,962	13,116	302,624	325,702	121,310
Grant expenses					
Grants	-	-	70,395	70,395	72,500
Scholarships	-	2,500	-	2,500	2,350
Youth In Philanthropy	2,750	-	-	2,750	2,726
	2,750	2,500	70,395	75,645	77,576
Other expenses					
Advertising	2,315	-	-	2,315	468
Functions and events	-	-	-	-	500
Fundraising	-	-	-	-	118
Memberships and subscriptions	450	-	-	450	450
Office	1,971	-	-	1,971	1,341
Professional fees	2,037	-	-	2,037	2,016
	6,773	-	-	6,773	4,893
Excess of revenues over expenses for the year	\$ 439	\$ 10,616	\$ 232,229	\$ 243,284	\$ 38,841

See Notes to Financial Statements

ELKHORN & AREA FOUNDATION INC.**STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

		Operating Fund	Restricted Fund	Endowment Fund	2021	2020
Balance, beginning of year	\$	15,632	\$ 67,607	\$ 1,435,629	\$ 1,518,868	\$ 1,480,027
Excess of revenues over expenses for the year		439	10,616	232,229	243,284	38,841
Interfund transfers (Note 6)		7,687	(352)	(7,335)	-	-
Balance, end of year	\$	23,758	\$ 77,871	\$ 1,660,523	\$ 1,762,152	\$ 1,518,868

See Notes to Financial Statements

ELKHORN & AREA FOUNDATION INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
Operating Activities		
Excess of revenues over expenses for the year	\$ 243,284	\$ 38,841
Change in Non-Cash Working Capital Balances Related to Operations		
Accounts receivable	(108)	-
Accounts payable	2,001	360
Net change in investments	(249,746)	(25,734)
	(247,853)	(25,374)
CHANGE IN CASH	(4,569)	13,467
CASH, BEGINNING OF YEAR	25,058	11,591
CASH, END OF YEAR	\$ 20,489	\$ 25,058

See Notes to Financial Statements

ELKHORN & AREA FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

1. ENTITY DEFINITION

The Elkhorn & Area Foundation Inc. (the "Foundation") is incorporated without share capital under the Corporations Act (Manitoba) as a charitable organization and is a registered charity under the Income Tax Act (Canada). The Foundation was established for the purpose of attracting gifts of capital for the development of an endowment fund and the making of grants to charitable organizations for worthwhile community projects. The organization is exempt from taxes under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following are considered to be the more significant accounting policies.

Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, all funds received with a restricted purpose are expensed for that purpose.

For financial reporting purposes, the accounts have been classified into the following funds:

Operating Fund

The Operating Fund comprises the unrestricted resources available for immediate purposes. This fund reports unrestricted contributions and other unrestricted revenues and expenses.

Restricted Fund

The Restricted Fund comprises the resources that are to be used for specific purposes as specified by the donor or project fund.

Endowment Fund

The Endowment Fund comprises the resources that are required by the donor to be maintained by the Foundation on a permanent basis. Investment income earned on resources of the Endowment Fund is reported in the Endowment Fund.

Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. However, if no appropriate restricted fund is presented, then the restricted contribution is recognized as revenue of the Operating Fund in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowments are recognized as revenue in the Endowment Fund.

Unrestricted net investment income earned on Endowment Fund resources is recognized as revenue of the Operating Fund. Net investment income earned on externally restricted fund resources are recognized as revenue of the Restricted Fund. All other investment income is recognized as revenue of the Operating Fund when earned.

ELKHORN & AREA FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from management's best estimates as additional information becomes available in the future.

Capital Assets

Capital assets are expensed when purchased. There were no capital asset purchases during the year.

Financial Instruments

Financial Instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

3. LONG-TERM INVESTMENTS

	2021	2020
The Winnipeg Foundation	\$ 1,750,086	\$ 1,500,339

The Winnipeg Foundation investment is a portfolio of investments held by The Winnipeg Foundation.

ELKHORN & AREA FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

4. ACCOUNTS PAYABLE

	2021	2020
Accrued audit fee	\$ 4,032	\$ 4,032
Accrued grants and scholarships	4,499	2,497
	<u>\$ 8,531</u>	<u>\$ 6,529</u>

5. INVESTMENT INCOME, NET

	2021	2020
Investment income during the year:		
Interest and dividends	\$ 46,387	\$ 62,666
Realized gain on sale of investments	76,078	20,101
Unrealized (losses) gains	<u>184,337</u>	<u>(19,372)</u>
	306,802	63,395
Deduct		
Investment fees	<u>(13,419)</u>	<u>(13,311)</u>
	<u>\$ 293,383</u>	<u>\$ 50,084</u>
Allocate to:		
Operating Fund	\$ 41	\$ 78
Restricted Fund	13,116	2,903
Endowment Fund	<u>280,226</u>	<u>47,103</u>
	<u>\$ 293,383</u>	<u>\$ 50,084</u>

6. TRANSFERS BETWEEN FUNDS

Interfund transfers to(from) between funds consist of the following:

	Operating Fund	Restricted Fund	Endowment Fund
Administrative fees	\$ 7,687	\$ (352)	\$ (7,335)
	<u>\$ 7,687</u>	<u>\$ (352)</u>	<u>\$ (7,335)</u>

ELKHORN & AREA FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

7. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments.

Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due. It stems from the possibility of a delay in realizing the fair value of financial instruments.

The organization manages its liquidity risk by constantly monitoring cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

Trade accounts payable and accrued liabilities are generally repaid within one month of receipt of invoice.

Interest rate risk

The Foundation is exposed to interest rate risk on its fixed rate financial instruments. Fixed-rate instruments subject the organization to a fair value risk. The Foundation is exposed to this type of risk as a result of investments held with Sunrise Credit Union Ltd. However, the risk associated with these investments is reduced to a minimum due to the interest rates being close to market rates.

The Foundation is exposed to interest rate on its floating interest rate financial instruments. Floating rate instruments subject the Foundation to a cash flow risk. The Foundation is exposed to this type of risk as a result of investments held in the Winnipeg Foundation. However, the risk associated with the investments is reduced to a minimum due to the Winnipeg Foundation regularly rebalancing its portfolio.

Price risk

Other price risk associated with investments held in the Winnipeg Foundation is the risk that their fair value will fluctuate because of changes in market prices. The risk is reduced to a minimum, since the Winnipeg Foundation regularly rebalances its portfolio.