

CARMAN AREA FOUNDATION INC

FINANCIAL STATEMENTS
(Unaudited)

DECEMBER 31, 2015

NAKONECHNY & POWER

CHARTERED ACCOUNTANTS LTD.

CARMAN AREA FOUNDATION INC

DECEMBER 31, 2015

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Review Engagement Report

To the Directors of
Carman Area Foundation Inc

We have reviewed the balance sheet of Carman Area Foundation Inc as at December 31, 2015 and the statement of income and retained earnings and cash flow statement for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

May 25, 2016



CARMAN AREA FOUNDATION INC

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

(Unaudited)

(with prior year's figures for comparison)

ASSETS

CURRENT	2015	2014
Cash	\$ 198,600	\$ 145,972
Investments (note 1)	-	200,000
Accrued interest receivable	6,420	11,844
GST receivable	497	466
Accounts receivable	<u>4,914</u>	<u>594</u>
	210,431	358,876
ACCESS CREDIT UNION SHARES	15	5
INVESTMENTS, NON-CURRENT (note 1)	<u>1,485,983</u>	<u>1,181,004</u>
	<u>\$ 1,696,429</u>	<u>\$ 1,539,885</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ <u>3,390</u>	\$ <u>3,390</u>
NET ASSETS		
Endowment fund (notes 2 and 3)	1,630,058	1,471,182
Operating fund	57,022	52,198
Held for trading fund	3,353	10,883
Restricted fund	<u>2,606</u>	<u>2,232</u>
	<u>1,693,039</u>	<u>1,536,495</u>
	<u>\$ 1,696,429</u>	<u>\$ 1,539,885</u>

The accompanying notes are an integral part of these financial statements.

CARMAN AREA FOUNDATION INC

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

(Unaudited)

(with prior year's figures for comparison)

	<u>Endowment Fund</u>	<u>Operating Fund</u>	<u>Held for Trading Fund</u>	<u>Restricted Fund</u>	<u>2015 Total</u>	<u>2014 Total</u> (note 8)
REVENUE						
Dividend income	\$ 34	\$ -	\$ -	\$ -	\$ 34	\$ 766
Endowment contributions	84,062	-	-	-	84,062	98,451
Fundraising - gala evening	59,297	-	-	-	59,297	65,848
Gain on investment dispositions	-	-	-	-	-	10,576
Interest income	19,880	-	-	-	19,880	27,760
TWF interest and dividends	41,472	-	-	-	41,472	21,339
TWF realized gains	29,744	-	-	-	29,744	16,657
Donations - operating	-	1,000	-	-	1,000	600
Fundraising - golf tournament	-	14,230	-	-	14,230	14,395
Gifts in Kind	-	1,282	-	-	1,282	1,284
TWF operating grant	-	4,377	-	-	4,377	2,601
TWF threshold grant	-	3,000	-	-	3,000	2,000
TWF unrealized gains	-	-	-	-	-	10,883
Thomas Sill Foundation for YIP (note 7)	-	-	-	3,500	3,500	3,500
	<u>234,489</u>	<u>23,889</u>	<u>-</u>	<u>3,500</u>	<u>261,878</u>	<u>276,660</u>

The accompanying notes are an integral part of these financial statements.

CARMAN AREA FOUNDATION INC

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

(Unaudited)

(with prior year's figures for comparison)

	<u>Endowment Fund</u>	<u>Operating Fund</u>	<u>Held for Trading Fund</u>	<u>Restricted Fund</u>	<u>2015 Total</u>	<u>2014 Total</u> (note 8)
EXPENSES						
Interest and bank charges	100	-	-	-	100	-
Gala evening expenses	9,595	1,738	-	-	11,333	10,643
Loss on investment disposition	296	-	-	-	296	-
TWF administration fees	5,827	-	-	-	5,827	5,673
TWF investment fees	3,239	-	-	-	3,239	1,830
TWF unrealized losses	-	-	7,530	-	7,530	-
Accounting and legal	-	3,458	-	-	3,458	3,483
Conference	-	4,191	-	-	4,191	315
Executive director fees	-	7,200	-	-	7,200	7,200
Golf tournament expenses	-	3,815	-	-	3,815	2,652
Insurance	-	1,282	-	-	1,282	1,282
Membership	-	450	-	-	450	450
Office	-	3,706	-	-	3,706	4,179
Smart Giving Plan Awareness Week	-	66	-	-	66	716
Thomas Sill Foundation to YIP	-	-	-	3,500	3,500	3,500
Grants paid (note 4)	-	-	-	49,341	49,341	41,900
	<u>19,057</u>	<u>25,906</u>	<u>7,530</u>	<u>52,841</u>	<u>105,334</u>	<u>83,823</u>
EXCESS REVENUES (EXPENSES)	215,432	(2,017)	(7,530)	(49,341)	156,544	192,837
Transfers between funds						
Granting allocation (note 5)	(49,715)	-	-	49,715	-	-
Admin fee allocation (note 6)	(6,841)	6,841	-	-	-	-
NET ASSETS - BEGINNING OF YEAR	<u>1,471,182</u>	<u>52,198</u>	<u>10,883</u>	<u>2,232</u>	<u>1,536,495</u>	<u>1,343,658</u>
NET ASSETS - END OF YEAR	<u>\$ 1,630,058</u>	<u>\$ 57,022</u>	<u>\$ 3,353</u>	<u>\$ 2,606</u>	<u>\$ 1,693,039</u>	<u>\$ 1,536,495</u>

The accompanying notes are an integral part of these financial statements.

CARMAN AREA FOUNDATION INC

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

(Unaudited)

(with prior year's figures for comparison)

	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES:		
Excess revenue	\$ 156,544	\$ 192,837
Adjusted for non-cash items:		
Investment disposition (loss) gains	296	(10,576)
Bond premium amortization	-	1,609
TWF net investment income	(54,620)	(41,376)
TWF admin fees received for subsequent year	<u>11,654</u>	<u>5,671</u>
	113,874	148,165
Net changes in non-cash working capital items:		
Accrued interest receivable	5,424	1,687
Accounts receivable	(4,320)	406
GST receivable	<u>(31)</u>	<u>77</u>
	<u>114,947</u>	<u>150,335</u>
INVESTING ACTIVITIES:		
Granting allocation received from TWF	73,715	-
Proceeds from other investments	221,451	173,418
Purchase of other investments	(2,317)	(10,380)
Transfers to The Winnipeg Foundation (TWF)	(355,158)	(810,179)
Purchase of ACU shares	<u>(10)</u>	<u>-</u>
	<u>(62,319)</u>	<u>(647,141)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,628	(496,806)
CASH AND CASH EQUIVALENTS, beginning of year	<u>145,972</u>	<u>642,778</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 198,600</u>	<u>\$ 145,972</u>
REPRESENTED BY:		
Access Credit Union chequing	\$ 136,992	\$ 99,768
Access Credit Union premium savings	57,052	43,879
Access Credit Union Linear Grain Fund	2,601	2,232
CIBC Investor's edge	<u>1,955</u>	<u>93</u>
	<u>\$ 198,600</u>	<u>\$ 145,972</u>

The accompanying notes are an integral part of these financial statements.

CARMAN AREA FOUNDATION INC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DECEMBER 31, 2015

(Unaudited)

Nature of Operations	<p>The Carman Area Foundation Inc is a community foundation incorporated under the Manitoba Corporations Act on April 15, 1998. The organization invests the contributions it receives in a perpetuity endowment fund and uses the income earned to make grants to charitable groups in the Rural Municipalities of Roland, Dufferin and Grey, the Town of Carman and the Sperling area.</p> <p>The Carman Area Foundation Inc is a registered charity under the Income Tax Act (Canada) and while registered is exempt from income taxes.</p>
Basis of Accounting	<p>Carman Area Foundation Inc applies the Canadian accounting standards for not-for-profit organizations. These standards are part of Canadian generally accepted accounting principles.</p>
Endowment fund	<p>This fund has the purpose of receiving contributions in perpetuity and investing the funds to generate revenue. The revenue earned is used to make grants to a variety of charitable groups for the benefit of the local community. This fund is externally restricted.</p>
Operating fund	<p>This fund's purpose is to receive revenue from donations, grants and fundraising intended to cover the operating expenses of the Foundation. This fund is unrestricted.</p>
Restricted fund	<p>This fund was set up to hold restricted funds which are typically grants approved by the board and allocated from the endowment fund but not paid out to the grant recipient in the fiscal year. This fund is externally restricted by the fund agreement with respect to the grant recipient.</p>
Held for trading fund	<p>This fund was set up to hold the unrealized gains and losses on investments. This fund is internally restricted.</p>
Use of estimates	<p>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 amounts of assets and liabilities, revenues and expenses.</p> <p>There are no specific areas where estimates are used on an ongoing basis.</p>
Financial Instruments	<p>The organization initially measures its financial assets and financial liabilities at fair value.</p> <p>The organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost.</p>

CARMAN AREA FOUNDATION INC

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DECEMBER 31, 2015

(Unaudited)

Cash and cash equivalents	Cash and cash equivalents consist of cash on hand, balances with banks, and short-term deposits with a maturity of three months or less.
Investments	Investments in GIC's and debentures are held to maturity and are measured at fair market value. Investments held at TWF are measured at fair market value.
Revenue Recognition	<p>The Foundation uses the restricted fund method of accounting for contributions. Under this method, all endowment contributions and revenue are recognized as revenue in the endowment fund.</p> <p>Donations, fundraising and gifts in kind are recognized in the applicable fund when received.</p> <p>Grants are recognized when confirmation is received that the organization has been successful in its application and has met any conditions required by the grantor.</p> <p>Interest income is recognized on a time proportioned basis.</p> <p>Investment income is recognized as revenue in the year it is realized.</p>
Contributed services	Volunteers contribute a significant amount of time to assist the organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

CARMAN AREA FOUNDATION INC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Unaudited)

1. INVESTMENTS

During the 2014 fiscal year, the Foundation signed an affiliation agreement with The Winnipeg Foundation (TWF) to manage all of the investments of the Foundation. During the year, \$355,158 (2014 - \$810,179) was transferred to TWF.

This consists of the following, which are stated at cost unless otherwise noted:

	<u>2015</u>	<u>2014</u>
A 4.0% guaranteed investment certificate with the Access Credit Union, Carman maturing August 14, 2015	\$ -	\$ 200,000
RM of Dufferin debenture at a rate of 5% repayable over a ten year term maturing December 1, 2020	56,069	65,733
Town of Carman debenture at a rate of 6.25% repayable over a twenty year term maturing December 1, 2024	59,856	64,708
RM of Grey debenture at a rate of 3.625% repayable over a ten year term maturing December 31, 2022	39,767	44,681
A 3% 5 year GIC held by Manulife Bank, maturing January 23, 2017, stated at fair market value	160,000	160,000
Investments held at The Winnipeg Foundation, stated at fair market value	<u>1,170,291</u>	<u>845,882</u>
	1,485,983	1,381,004
Less: Current Investments	<u>-</u>	<u>200,000</u>
Total Long-term Investments	<u>\$ 1,485,983</u>	<u>\$ 1,181,004</u>

The accompanying notes are an integral part of these financial statements.

CARMAN AREA FOUNDATION INC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Unaudited)

2. ENDOWMENT FUNDS

These funds have been donated with the understanding that they be retained in perpetuity. Grants are paid annually at the discretion of the board of directors within the guidelines of the endowment fund.

	2015 Opening balance	Admin expense	Grants allocated	Contri- butions	Investment Income	2015 Ending Balance
General Fund	\$ 716,539	\$ (3,270)	\$ (24,977)	\$ 88,656	\$ 40,400	\$ 817,348
Mason's - Boyne Lodge Fund	14,968	(74)	(500)	200	800	15,394
Mason's - Carman Memorial Hospital	15,192	(75)	(520)	-	806	15,403
Mason's - Carman Collegiate Fund	15,020	(74)	(520)	-	798	15,224
Mason's - Carman Elementary School Fund	14,968	(74)	(520)	-	795	15,169
Carman Kinsmen Pool Fund	17,419	(80)	(550)	2,200	982	19,971
Sperling Community Fund	101,901	(486)	(3,400)	7,405	5,607	111,027
Linear Grain Fund	111,941	(542)	(3,800)	6,420	6,114	120,133
Theatre Fund	5,079	(25)	(175)	-	270	5,149
Roland Community Fund	53,668	(244)	(1,700)	10,890	3,139	65,753
Health and Wellness Fund	129,565	(636)	(4,453)	-	6,880	131,356
Boyne Regional Library Fund	26,113	(100)	(700)	-	1,386	26,699
Preston-Kitching Fund	37,660	(155)	(1,000)	4,937	2,131	43,573
R.M. of Grey Fund	31,381	(140)	(1,000)	9,406	1,916	41,563
Carman Lions Club Fund	12,190	(60)	(400)	-	647	12,377
Boyne Lodge Fund	60,898	(300)	(2,100)	-	3,234	61,732
Carman Memorial Hospital Fund	60,278	(296)	(2,000)	-	3,201	61,183
Arts Stabilization Manitoba Fund	15,321	(63)	(420)	-	814	15,652
Winston Simpson Memorial Fund	18,575	(91)	(640)	126	990	18,960
Carman Golf and Curling Club Fund	10,430	(48)	(340)	1,963	606	12,611
Carman Collegiate Youth in Philanthropy Fund	2,076	(8)	-	1,561	152	3,781
Total	<u>\$ 1,471,182</u>	<u>\$ (6,841)</u>	<u>\$ (49,715)</u>	<u>\$ 133,764</u>	<u>\$ 81,668</u>	<u>\$ 1,630,058</u>

The accompanying notes are an integral part of these financial statements.

CARMAN AREA FOUNDATION INC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Unaudited)

3. 2014 ENDOWMENT FUNDS

	2014 Opening balance	Admin expense	Grants allocated	Contri- butions	Investment Income	2014 Ending Balance
General Fund	\$ 603,701	\$ -	\$ (21,075)	\$ 100,644	\$ 33,269	\$ 716,539
Mason's - Boyne Lodge Fund	14,738	-	(520)	-	750	14,968
Mason's - Carman Memorial Hospital	14,951	-	(520)	-	761	15,192
Mason's - Carman Collegiate Fund	14,788	-	(520)	-	752	15,020
Mason's - Carman Elementary School Fund	14,738	-	(520)	-	750	14,968
Carman Kinsmen Pool Fund	15,051	-	(500)	2,050	818	17,419
Sperling Community Fund	94,289	-	(3,200)	5,866	4,946	101,901
Linear Grain Fund	107,208	-	(3,550)	2,772	5,511	111,941
Theatre Fund	5,000	-	(175)	-	254	5,079
Roland Community Fund	44,912	-	(1,425)	7,701	2,480	53,668
Health and Wellness Fund	127,037	-	(4,215)	274	6,469	129,565
Boyne Regional Library Fund	14,605	-	(515)	11,000	1,023	26,113
Preston-Kitching Fund	25,176	-	(825)	11,730	1,579	37,660
R.M. of Grey Fund	25,415	-	(835)	5,372	1,429	31,381
Carman Lions Club Fund	12,000	-	(420)	-	610	12,190
Boyne Lodge Fund	59,949	-	(2,100)	-	3,049	60,898
Carman Memorial Hospital Fund	59,221	-	(2,100)	141	3,016	60,278
Arts Stabilization Manitoba Fund	10,000	-	(315)	5,000	636	15,321
Winston Simpson Memorial Fund	18,220	-	(640)	66	929	18,575
Carman Golf and Curling Club Fund	9,090	-	(160)	1,012	488	10,430
Carman Collegiate Youth in Philanthropy Fund	1,000	-	-	1,000	76	2,076
	<u>\$ 1,291,089</u>	<u>\$ -</u>	<u>\$ (44,130)</u>	<u>\$ 154,628</u>	<u>\$ 69,595</u>	<u>\$ 1,471,182</u>

The accompanying notes are an integral part of these financial statements.

CARMAN AREA FOUNDATION INC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Unaudited)

4. GRANTS PAID

	<u>2015</u>	<u>2014</u>
Boyne Regional Library	\$ 1,260	\$ 1,300
Boyne Valley Hostel Corp.	4,000	5,000
Carman & Community Active Living Centre	3,000	-
Carman Community Seniors Resource Council	1,000	600
Carman Dufferin Recreation Commission	3,426	2,000
Carman Family Resource Center	500	1,000
Carman Handi-Van Corp.	-	350
Carman Memorial Hospital	3,820	-
Carman Palliative Care	2,700	3,100
Child and Family Services	-	2,000
CNIB	-	2,000
Dufferin Agricultural Society	1,000	-
Dufferin Historical Society	1,175	550
Elm Creek Stay & Play Inc.	500	500
Golden Prairie Arts Council	1,350	1,350
La Salle Redboine Conservation	500	-
Pembina Valley Humane Society	500	-
PRSD - Carman Collegiate	5,000	-
PRSD - Carman Elementary Parent Advisory Council	5,000	-
PRSD - Carman Elementary School	2,000	2,700
PRSD - Roland School Parent Advisory Council	-	6,000
PRSD - Elm Creek School Parent Advisory Council	1,500	2,500
RM of Roland - Memory Garden	-	2,000
Roland Pumpkin Fair	910	750
Sperling Community Club	3,000	3,200
Sperling Community Club - Golden Corner	3,500	-
Tempo Festival of the Arts	500	-
TLC Centre Inc.	1,000	2,500
Town of Carman - Carman Community Pathway	2,200	-
Wee Care Child Care Center Inc.	-	2,500
	<u> </u>	<u> </u>
Total grants paid	\$ <u>49,341</u>	\$ <u>41,900</u>

The accompanying notes are an integral part of these financial statements.

CARMAN AREA FOUNDATION INC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Unaudited)

5. GRANTING ALLOCATION

The Foundation is required to pay out grants annually as specified by the endowment fund agreements. The granting allocation is a transfer of funds from the endowment fund to the restricted fund that is made once the board of directors has determined the annual grant amount to be paid out.

6. ADMINISTRATIVE EXPENSES

The Foundation policy permits a transfer as set annually by the Board of Directors from the endowment fund to the operating fund to cover administrative expenses. On January 1, 2015, \$6,814 (2014 - \$nil), or 0.5% (2014 - 0%) of the average fund balance from the prior two years was transferred from each endowment fund to the operating fund to cover administrative expenses.

7. THOMAS SILL FOUNDATION GRANT

In November, 2012, the Carman Area Foundation Inc and the Thomas Sill Foundation entered into a six year agreement in support of the Youth in Philanthropy program at Carman Collegiate. The Thomas Sill Foundation and Carman Area Foundation Inc agreed to provide financial assistance to the Youth in Philanthropy program. The Thomas Sill Foundation will provide the Youth in Philanthropy program \$3,500 a year for three years and the Carman Area Foundation Inc will provide \$3,500 a year for the following three years (2016-2018). This will allow the Youth in Philanthropy program to grant money to various organizations using the granting criteria of the Carman Area Foundation Inc.

The accompanying notes are an integral part of these financial statements.

CARMAN AREA FOUNDATION INC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Unaudited)

8. STATEMENT OF OPERATIONS - 2014

	<u>Endowment Fund</u>	<u>Operating Fund</u>	<u>Held for Trading Fund</u>	<u>Restricted Fund</u>	<u>2014 Total</u>
REVENUE					
Dividend income	\$ 766	\$ -	\$ -	\$ -	\$ 766
Endowment contributions	98,451	-	-	-	98,451
Fundraising - gala evening	65,848	-	-	-	65,848
Gain on investment dispositions	10,576	-	-	-	10,576
Interest income	27,760	-	-	-	27,760
TWF interest and dividends	21,339	-	-	-	21,339
TWF realized gains	16,657	-	-	-	16,657
Donations - operating	-	600	-	-	600
Fundraising - golf tournament	-	14,395	-	-	14,395
Gifts in Kind	-	1,282	-	2	1,284
TWF operating grant	-	2,601	-	-	2,601
TWF threshold grant	-	2,000	-	-	2,000
TWF unrealized gains	-	-	10,883	-	10,883
Thomas Sill Foundation for YIP	-	-	-	3,500	3,500
	<u>241,397</u>	<u>20,878</u>	<u>10,883</u>	<u>3,502</u>	<u>276,660</u>

The accompanying notes are an integral part of these financial statements.

CARMAN AREA FOUNDATION INC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Unaudited)

STATEMENT OF OPERATIONS - 2014 ctd.

	<u>Endowment Fund</u>	<u>Operating Fund</u>	<u>Held for Trading Fund</u>	<u>Restricted Fund</u>	<u>2014 Total</u>
EXPENSES					
Gala evening expenses	9,671	972	-	-	10,643
TWF administration fees	5,673	-	-	-	5,673
TWF investment fees	1,830	-	-	-	1,830
Golf tournament expenses	-	2,652	-	-	2,652
Accounting and legal	-	3,483	-	-	3,483
Membership	-	450	-	-	450
Office	-	4,179	-	-	4,179
Conference	-	315	-	-	315
Smart Giving Plan Awareness Week	-	716	-	-	716
Insurance	-	1,282	-	-	1,282
Administration fees	-	7,200	-	-	7,200
Thomas Sill Foundation to YIP	-	-	-	3,500	3,500
Grants paid (note 4)	-	-	-	41,900	41,900
	<u>17,174</u>	<u>21,249</u>	<u>-</u>	<u>45,400</u>	<u>83,823</u>
EXCESS REVENUES (EXPENSES)	224,223	(371)	10,883	(41,898)	192,837
Transfers between funds					
Granting allocation (note 5)	(44,130)	-	-	44,130	-
NET ASSETS - BEGINNING OF YEAR	<u>1,291,089</u>	<u>52,569</u>	<u>-</u>	<u>-</u>	<u>1,343,658</u>
NET ASSETS - END OF YEAR	<u>\$ 1,471,182</u>	<u>\$ 52,198</u>	<u>\$ 10,883</u>	<u>\$ 2,232</u>	<u>\$ 1,536,495</u>

The accompanying notes are an integral part of these financial statements.

CARMAN AREA FOUNDATION INC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Unaudited)

9. FINANCIAL INSTRUMENTS

Risks and concentrations

The Foundation is exposed to various risk through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Foundation's risk exposure as at December 31, 2015.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. There are no major areas where the Foundation is exposed to liquidity risk and there has been no change to the risk exposures from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. There are no major areas where the Foundation is exposed to credit risk and there has been no change to the risk exposures from the prior year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation is exposed to currency risk on its foreign investments managed by The Winnipeg Foundation which are converted to Canadian dollar to determine fair value. The Winnipeg Foundation's investment policy has an objective to manage currency risk by maintaining a geographically diversified portfolio. There have been no changes in currency risk from the prior year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its fixed rate financial instruments and its bond portfolios managed by The Winnipeg Foundation. The objective of The Winnipeg Foundation's investment policy is to manage its interest rate exposure. There have been no changes in interest rate risk from the prior year.

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CARMAN AREA FOUNDATION INC

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Unaudited)

FINANCIAL INSTRUMENTS ctd.

Market risk ctd.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk on its investments in preferred and common stock managed by The Winnipeg Foundation. The objective of The Winnipeg Foundation's investment policy is to manage other price risk by maintaining a portfolio which is diversified across geographic and industry sectors. There have been no changes in other price risk from the prior year.

10. CHANGE IN ACCOUNTING POLICY

The Foundation adopted fund accounting and changed to recognizing their contributions using the restricted fund method. The Board of Directors feel this information more clearly illustrates the change in the fund balances for the users of the financial statements. The endowment funds now fluctuate in value with contributions to the fund, an investment income allocation, an administrative expense charge and a charge for grants to be paid out. The endowment funds previously only fluctuated with contributions to the fund. In implementing this change the Foundation created two new funds - the Held for Trading Fund and the Restricted Fund. The Held for Trading Fund was created to avoid fluctuating the endowment funds for unrealized gains and losses on investments. The Restricted Fund was created to hold externally restricted funds, which are typically grants approved by the board and allocated out of the endowment fund but not paid out to the grant recipient. The impact of these changes is extensive therefore we can not detail all of the changes. A detailed statement of operations for the 2014 year has been disclosed in note 9 and the change in endowment fund for 2014 in detail in note 2.

The accompanying notes are an integral part of these financial statements.