NORTHERN NEIGHBOURS FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

NORTHERN NEIGHBOURS FOUNDATION, INC.

YEAR ENDED JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Northern Neighbours Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Neighbours Foundation, Inc., which comprise the balance sheets as at June 30, 2014 and 2013, and the statements of operations, changes in net assets and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted out audits in accordance with Canadian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Neighbours Foundation, Inc. as at June 30, 2014 and 2013 and its operations and cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Flin Flon, Manitoba
October 10, 2014 CHARTERED ACCOUNTANTS

NORTHERN NEIGHBOURS FOUNDATION, INC.

(Incorporated under the laws of Manitoba)

BALANCE SHEETS

AS AT JUNE 30, 2014

	2014	2013
OPERATING FUND		
ASSETS		
CURRENT ASSETS		
Bank	**$ 23,085**	$ 25,854
Inventory	**150**	150
Computer	**2,794**	2,794
File cabinet/chair	**145**	145
	$ 26,174	$ 28,943
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 1,050**	$ 1,050
SURPLUS		
INVESTMENT IN CAPITAL ASSETS	**2,939**	2,939
OPERATING SURPLUS	**22,185**	24,954
	25,124	27,893
	$ 26,174	$ 28,943
CAPITAL FUND		
ASSETS		
CURRENT ASSETS		
Bank	**$ 23,340**	$ 7,536
Short-term investments	**633,212**	553,963
	$ 656,552	$ 561,499
LIABILITIES		
CURRENT LIABILITIES		
Interest earned to date, not donated	**$ 18,974**	$ 41,047
Less: Grants approved	**-**	(36,750)
	18,974	4,297
Youth Initiative Program grants payable	**5,000**	**3,500**
	23,974	7,797
CAPITAL DONATIONS		
DONATED SURPLUS	**632,578**	553,702
	$ 656,552	$ 561,499

APPROVED ON BEHALF OF THE BOARD:

_____________________________ Director _____________________________ Director

See accompanying notes.

NORTHERN NEIGHBOURS FOUNDATION, INC.

STATEMENT OF INCOME, EXPENSES AND SURPLUS

YEAR ENDED JUNE 30, 2014

	2014	2013
OPERATING FUND		
INCOME		
Administration of capital fund	**$ 1,133**	$ 1,725
Interest and grants	**2,950**	97
Operating donations	**-**	4,586
	4,083	6,408
EXPENSES		
Advertising	**125**	472
Automotive	**1,200**	1,200
Bank charges	**72**	72
Conferences	**829**	-
Insurance	**-**	502
Memberships	**575**	575
Office	**670**	214
Professional fees	**1,075**	1,350
Salaries	**1,428**	954
Telephone	**878**	804
	6,852	6,143
OPERATING SURPLUS FOR THE YEAR	**(2,769)**	265
OPERATING SURPLUS AT BEGINNING OF YEAR	**24,954**	24,689
OPERATING SURPLUS AT END OF YEAR	**$ 22,185**	$ 24,954
CAPITAL FUND		
BANK AND INVESTMENTS AT BEGINNING OF YEAR	**$ 561,499**	$ 477,099
Capital donations	**9,337**	35,322
Gifts: Flow Thru	**45,425**	41,180
Investment income earned	**49,662**	28,063
Investment write-up	**50,745**	26,785
Grants paid	**(61,616)**	(13,700)
Grants approved	**-**	(36,750)
YIP grant paid	**(2,000)**	-
YIP grant received	**3,500**	3,500
BANK AND INVESTMENTS AT END OF YEAR	**$ 656,552**	$ 561,499

See accompanying notes.

NORTHERN NEIGHBOURS FOUNDATION, INC.

STATEMENT OF CASH FLOW

YEAR ENDED JUNE 30, 2014

	2014	2013
FUNDS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Cash receipts from customers	**$ 4,083**	$ 43,908
Cash paid to suppliers and employees	**(6,853)**	(6,341)
Interest received	**49,662**	28,063
Other cash received	**54,762**	76,502
Grants paid/received(approved)	**(60,116)**	(46,950)
Funds provided by operating activities	**41,538**	95,182
FUNDS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Net increase in short-term investments	**50,745**	26,785
INCREASE IN FUNDS	**92,283**	121,967
Cash and cash equivalents at beginning of year	**587,354**	465,387
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 679,637**	$ 587,354

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2014	2013
Bank	**$ 46,425**	$ 33,391
Short-term investments	**633,212**	553,963
	$ 679,637	$ 587,354

See accompanying notes.

1. NATURE OF ORGANIZATION

The foundation was incorporated on November 10, 1994 as a community foundation whereby Capital Fund Donations will be held in perpetuity, with the interest from these funds being donated for community endeavours.

2. SIGNIFICANT ACCOUNTING POLICIES

The organization follows Canadian accounting standards for not-for-profit organizations including the following:

REVENUE

Donations in kind of tangible assets are recorded as revenue at their fair market value in which in most instances will be either the acquisition cost to the donor or an appraised value.

INCOME TAXES

The Northern Neighbours Foundation, Inc. is a registered charity under the Income Tax Act and as such is exempt from the payment of income taxes.

CAPITAL ASSETS

The organization follows the policy of capitalizing capital assets as acquired. Capital asset additions during the year are also expensed in the statement of income, expenses and surplus.

AMORTIZATION

Capital assets are not amortized which is a departure from Canadian generally accepted accounting principles. Amortization has not been provided in these financial statements.
FINANCIAL INSTRUMENTS

i. The organization initially measures its financial assets and liabilities at fair value adjusted by, in the use of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The organization subsequently measures its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred.

Financial assets measured at amortized cost include cash and term deposits and financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

ii. Impairment

At the end of each reporting period Northern Neighbours Foundation, Inc. assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that come to the attention of the organization, including but not limited to significant financial difficulty of the issuer; a breach of contract such as a default or delinquency in interest or principal payments or bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the organization determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

When the organization identifies a significant adverse change in the expected timing or amount of future cash flows from financial assets, it reduces the carrying amount of the asset to the highest of:
i) the present value of the cash flow expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset,
ii) the amount that could be realized by selling the asset at the statement of financial position date,
iii) the amount the organization expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all necessary to exercise those rights.

The carrying amount of the asset is reduced directly or through the use of an allowance amount. The amount of the reduction is recognized as an impairment loss in the statement of operations.

When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement directly or by adjusting the allowance account. The amount of the reversal is recognized in the statements of operations in the period the reversal occurs.

MANAGEMENT ESTIMATES

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts 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.

3. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, term deposits and accrued liabilities.

Fair value of financial instruments
The fair value of cash, term deposits and accrued liabilities approximate their carrying value due to their nature or capacity for prompt liquidation.

Currency, interest rate and market risk
The organization is exposed to currency risk, interest rate risk, and market risk. Currency risk refers to the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The organization is not exposed to currency risk as it does not conduct in or hold any foreign currency. Interest rate risk refers to the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The organization does not hold any interest bearing liabilities. Lastly, market risk refers to the risk that the fair value of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The organization is not exposed to market risk because the term deposits held are guaranteed.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss or if there is a concentration of transactions carried out with the same party. The organization is currently not in any position where related parties are involved or any other such instances where they are exposed to credit risk.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting a demand for cash or fund its obligations as they come due or liquidate assets in a timely manner at a reasonable price. At this time, the organization has more than adequate current assets to cover its current liabilities, therefore liquidity risk is minimal.

Other price risk
Other price risk includes the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. Given the organization's financial instruments are primarily short term in nature, other price risk is low.