

**Loran Scholars Foundation/Fondation  
Boursiers Loran**

**Financial Statements**

**For the Year Ended April 30, 2022**

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Loran Scholars Foundation/Fondation Boursiers Loran

#### *Opinion*

We have audited the financial statements of Loran Scholars Foundation/Fondation Boursiers Loran (the "Foundation"), which comprise the statement of financial position as at April 30, 2022 and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 2022, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### *Basis for Opinion*

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

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The annual report is expected to be made available to us after the date of this auditor's report. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### *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 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.

In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation 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.

We 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 we identify during our audit.

*RSM Canada LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
September 13, 2022  
Toronto, Ontario

**Loran Scholars Foundation/Fondation Boursiers Loran**  
**Statement of Financial Position**  
**As at April 30, 2022**

	2022	2021
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (Note 4(d))	\$ 2,335,759	\$ 1,915,575
Restricted cash (Note 4(e))	-	155,000
Short-term investments (Note 4)	4,203,122	4,241,828
Accrued interest and other receivables	17,908	50,064
Prepaid expenses and other current assets	215,723	43,743
	<b>6,772,512</b>	<b>6,406,210</b>
<b>Long-term investments</b> (Note 4)	<b>15,972,115</b>	<b>15,497,634</b>
	<b>\$ 22,744,627</b>	<b>\$ 21,903,844</b>

**Liabilities**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 83,034	\$ 36,308
Deferred contributions (Note 5)	3,121,984	2,932,703
	<b>3,205,018</b>	<b>2,969,011</b>
<b>Deferred contributions</b> (Note 5)	<b>1,555,829</b>	<b>1,711,757</b>
	<b>4,760,847</b>	<b>4,680,768</b>

**Net Assets**

<b>Externally restricted endowments</b> (Note 6)	<b>5,200,913</b>	<b>5,046,360</b>
<b>Internally restricted</b> (Note 7)	<b>9,215,373</b>	<b>8,739,517</b>
<b>Unrestricted</b>	<b>3,567,494</b>	<b>3,437,199</b>
	<b>17,983,780</b>	<b>17,223,076</b>
	<b>\$ 22,744,627</b>	<b>\$ 21,903,844</b>

**Commitments** (Note 9)

<b>Approved by the Board</b>	DocuSigned by:  224EAAD9652345C...	DocuSigned by:  558CF084FCE5465...
	Director	Director

**Loran Scholars Foundation/Fondation Boursiers Loran**  
**Statement of Operations**  
**Year Ended April 30, 2022**

	2022	2021
<b>Revenue</b>		
Contributions	\$ 4,307,682	\$ 4,204,632
Other income	4,986	91,046
	<b>4,312,668</b>	<b>4,295,678</b>
<b>Expenses</b>		
Stipend grants	1,657,000	1,781,000
Enrichment program (Note 8)		
Summer	409,321	250,260
Mentorship and stewardship	299,551	209,392
Gatherings (retreat, conferences, orientation, expeditions etc.)	340,783	360,109
Selections (Note 8)		
Loran Award program	563,850	580,018
Other scholarship programs	18,196	47,662
General and administration	554,463	555,952
	<b>3,843,164</b>	<b>3,784,393</b>
<b>Excess of revenue over expenses before the undernoted item</b>	<b>469,504</b>	<b>511,285</b>
<b>Investment income (loss) (Notes 4 and 6)</b>	<b>(39,976)</b>	<b>2,731,118</b>
<b>Excess of revenue over expenses</b>	<b>\$ 429,528</b>	<b>\$ 3,242,403</b>

**Loran Scholars Foundation/Fondation Boursiers Loran**  
**Statement of Changes in Net Assets**  
**Year Ended April 30, 2022**

	Externally Restricted Endowments	Internally Restricted	Unrestricted	Total
Balance, April 30, 2021	\$ 5,046,360	\$ 8,739,517	\$ 3,437,199	\$ 17,223,076
Excess of revenue over expenses	-	-	429,528	429,528
Investment loss allocated to internally restricted net assets (Note 7)	-	(24,144)	24,144	-
Transfer to internally restricted (Note 7)	-	500,000	(500,000)	-
Contributions to endowments	360,549	-	-	360,549
Amount made available for spending (Note 6)	(176,623)	-	176,623	-
Investment loss (Notes 4 and 6)	(29,373)	-	-	(29,373)
<b>Balance, April 30, 2022</b>	<b>\$ 5,200,913</b>	<b>\$ 9,215,373</b>	<b>\$ 3,567,494</b>	<b>\$ 17,983,780</b>

	Externally Restricted Endowments	Internally Restricted	Unrestricted	Total
Balance, April 30, 2020	\$ 3,920,892	\$ 6,755,174	\$ 2,179,139	\$ 12,855,205
Excess of revenue over expenses	-	-	3,242,403	3,242,403
Investment income allocated to internally restricted net assets (Note 7)	-	1,474,343	(1,474,343)	-
Transfer to internally restricted (Note 7)	-	510,000	(510,000)	-
Contributions to endowments	408,295	-	-	408,295
Preservation of capital (Note 6)	717,173	-	-	717,173
Balance, April 30, 2021	\$ 5,046,360	\$ 8,739,517	\$ 3,437,199	\$ 17,223,076

**Loran Scholars Foundation/Fondation Boursiers Loran**  
**Statement of Cash Flows**  
**Year Ended April 30, 2022**

	2022	2021
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Excess of revenues over expenses	\$ 429,528	\$ 3,242,403
Net changes in non-cash working capital		
Accrued interest and other receivables	32,156	(13,993)
Prepaid expenses	(171,980)	2,373
Accounts payable and accrued liabilities	46,726	(34,730)
Deferred contributions	33,353	(481,022)
Reinvested investment (income) loss	39,976	(2,731,118)
	<b>409,759</b>	<b>(16,087)</b>
<b>Investing</b>		
Contributions to externally managed investments, net	(505,124)	(241,376)
Decrease (increase) in restricted cash	155,000	(155,000)
	<b>(350,124)</b>	<b>(396,376)</b>
<b>Financing</b>		
Endowment contributions received	360,549	408,295
<b>Net change in cash</b>	<b>420,184</b>	<b>(4,168)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,915,575</b>	<b>1,919,743</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,335,759</b>	<b>\$ 1,915,575</b>

**1. PURPOSE OF THE ORGANIZATION**

Loran Scholars Foundation/Fondation Boursiers Loran, (the "Foundation"), was incorporated under the Canada Corporations Act and was continued under the Canada Not-for-profit Corporations Act. The Foundation is registered as a charitable organization under the Income Tax Act (Canada) and is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The Foundation is committed to the greatest of Canada's resources: our youth. The purpose of the Foundation is to identify and support high-potential Canadian students who show character, strong commitment to service in the community and leadership potential. The Foundation funds these students to study on Canadian university campuses and provides them with opportunities to explore, develop and share their talents.

The Loran Award is the Foundation's main focus. It is supported annually by hundreds of donors. Offered in full partnership with 25 Canadian universities, a Loran Award is valued at approximately \$100,000 over four years of undergraduate study: an annual stipend of \$10,000; a matching tuition waiver from the university; funding for summer internships in three different sectors; mentorship; participation in an extensive network of established and rising leaders; and orientation/graduation programs and coaching. The Foundation also issues one-time awards to national, provincial and territorial finalists who are not selected for a Loran Award.

In addition to the Loran Award, the Foundation administers other scholarship programs that are fully funded by specific companies.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

**Revenue Recognition**

The Foundation follows the deferral method of accounting for contributions, which include grants, bequests and donations. Grants and bequests are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recorded when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are incurred. Externally restricted endowment contributions are recognized as direct increases in net assets when recorded in the accounts.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations, except to the extent that it is externally restricted in which case it is added to or deducted from endowment net assets.



**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Donated Materials and Services**

The value of volunteer and other services donated to the Foundation, that would not otherwise have been purchased, is not recorded in the financial statements as these services are not normally purchased by the Foundation and because of the difficulty in determining their fair value. Donated materials are not recorded in the financial statements.

Included in contributions is \$202,249 (2021 - \$191,762) of in-kind donations for legal services, facilities and travel costs that would have otherwise been purchased.

**Cash Equivalents**

Cash equivalents consist of guaranteed investment certificates (GICs) that are convertible into cash.

**Financial Instruments**

Investments reported at fair value consist of investments in balanced pooled funds and any investments in fixed income securities that the Foundation designates upon purchase to be measured at fair value. Pooled fund investments are valued at the unit values supplied by the pooled fund administrator. These values represent the Foundation's proportionate share of the underlying assets. Transaction costs are recognized in the statement of operations in the period during which they are incurred.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method less any provisions for impairment.

All transactions are recorded on a trade date basis.

Other financial instruments, including accrued interest and other receivables and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

**Grants and Awards**

Grants and awards are expensed in the academic year to which they apply.

**Allocation of Expenses**

The costs associated with the selection of scholarship recipients and the enrichment programs include the costs of personnel, premises and other expenses that are directly related to providing the total program and are allocated to the various programs based on the proportional hours spent on each (Note 8).

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange prevailing at the year end. Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Foreign exchange gains and losses are included in the statement of operations.

**Use of Estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant estimates include the allocation of expenses and deferred contributions.

**3. FINANCIAL INSTRUMENT RISK MANAGEMENT**

The Foundation is exposed to various financial risks through transactions in financial instruments including the following:

**Interest Rate Risk**

The Foundation is exposed to interest rate risk with respect to its investments in fixed income investments and pooled funds that hold fixed income securities because the fair value will fluctuate due to changes in market interest rates.

**Currency Risk**

The Foundation is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

**Other Price Risk**

The Foundation is exposed to other price risk through changes in market prices (other than changes arising from interest rate or currency risks) in connection with its investments in pooled funds.

There have been no changes in the Foundation's risk exposures from the prior year.

**Loran Scholars Foundation/Fondation Boursiers Loran**  
**Notes to Financial Statements**  
**April 30, 2022**

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**4. INVESTMENTS AND INVESTMENT INCOME (LOSS)**

- (a) Investments measured at fair value, which are held for endowment net assets, internally restricted net assets, deferred contributions and for excess operating funds, consist of the following:

<b>Short-term</b>	<b>Endowment</b>	<b>Internally Restricted</b>	<b>Unrestricted</b>	<b>2022 Total</b>	<b>2021 Total</b>
Balanced pooled fund <sup>(b)</sup>	\$ -	\$ -	\$ 4,203,122	\$ 4,203,122	\$ 4,241,828

<b>Long-term</b>	<b>Endowment</b>	<b>Internally Restricted</b>	<b>Unrestricted</b>	<b>2022 Total</b>	<b>2021 Total</b>
Balanced pooled fund <sup>(b)</sup>	\$ 5,200,913	\$ 9,215,373	\$ 1,555,829	\$ 15,972,115	\$ 15,497,634

Long-term investments are held for endowment purposes and deferred contribution purposes required to fund long-term scholarship commitments and for internally restricted net assets. The investments in the balanced pooled fund are allocated to long-term investments to the extent required for this balance to equal the sum of long-term deferred contributions, endowment net assets and internally restricted net assets.

- (b) The asset mix of the balanced pooled fund at year end is as follows:

	<b>2022</b>		<b>2021</b>	
Cash	\$ 542,715	3 %	\$ 396,763	2 %
Fixed income	5,778,188	29 %	5,195,427	26 %
Canadian equities	5,043,809	25 %	5,351,368	27 %
U.S. equities	4,721,005	23 %	4,869,725	25 %
International equities	4,089,520	20 %	3,926,179	20 %
Outstanding, end of year	\$ 20,175,237	100 %	\$ 19,739,462	100 %

- (c) Total investment income (loss) is calculated as follows:

	<b>2022</b>	<b>2021</b>
Unrealized (loss) gain on investments	\$ (1,223,204)	\$ 2,846,230
Interest, dividends and capital gains distributions from pooled funds	1,131,940	587,642
Realized gain on disposal of investments	21,004	9,011
	\$ (70,260)	\$ 3,442,883

**Loran Scholars Foundation/Fondation Boursiers Loran**  
**Notes to Financial Statements**  
**April 30, 2022**

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**4. INVESTMENTS AND INVESTMENT INCOME (LOSS) (Cont'd)**

(c) (Cont'd)

Total investment income (loss), net of investment management fees, includes amounts related to the following investment accounts:

	<b>2022</b>	2021
Endowment net assets	\$ (29,373)	\$ 854,404
Internally restricted net assets	(24,144)	1,474,343
Unrestricted net assets	(16,743)	1,114,136
	<b>\$ (70,260)</b>	<b>\$ 3,442,883</b>

Investment income (loss) recorded in the statement of operations is calculated as follows:

	<b>2022</b>	2021
Total investment income (loss)	\$ (70,260)	\$ 3,442,883
Investment loss on endowment net assets (Note 6)	29,373	-
Preservation of capital recorded in the statement of changes in net assets (Note 6)	-	(717,173)
Interest earned on bank and GICs	911	5,408
	<b>\$ (39,976)</b>	<b>\$ 2,731,118</b>

(d) Included in cash and cash equivalents are guaranteed investment certificates of \$525,000 (2021 - \$526,990) of which \$25,000 is used to secure the Foundation's corporate credit card.

(e) Restricted cash of \$Nil (2020 - \$155,000) relates to contributions to endowments received before year end, in transit to being deposited in the investment account.

**5. DEFERRED CONTRIBUTIONS**

Deferred contributions represent externally restricted contributions not disbursed at year end. The following is a continuity of deferred contributions for the year:

	<b>2022</b>	2021
Deferred contributions, beginning of year	\$ 4,644,460	\$ 5,125,482
Externally restricted contributions received	3,501,198	2,788,386
Externally restricted contributions recognized as revenue	(3,467,845)	(3,269,408)
Deferred contributions, end of year	4,677,813	4,644,460
Less: current deferred contributions	(3,121,984)	(2,932,703)
Long-term deferred contributions	<b>\$ 1,555,829</b>	<b>\$ 1,711,757</b>

Current deferred contributions represent amounts to be recognized as revenue in fiscal 2023. Long-term deferred contributions represent amounts to be recognized as revenue in fiscal 2024 through 2025.

## **6. ENDOWMENT NET ASSETS**

Endowment net assets represent externally restricted endowed funds that are required by the donor to be maintained by the Foundation on a permanent basis. These funds provide a dependable and sustainable source of income to support the Loran awards to scholars.

Effective May 1, 2012, the Foundation adopted a capital preservation policy. This policy has the objective of protecting the real value of the endowments by limiting the amount of income available for spending and requiring the reinvestment of any income earned in excess of this limit. The amount of income currently made available for spending is based on 3.5% of the opening market value of the externally restricted endowment net assets. In any particular year, should investment income be insufficient to fund the amount to be made available for spending or the investment return is negative, the amount is funded by a transfer from endowment net assets.

In fiscal 2022, an investment loss of \$29,373 was recorded as a reduction of externally restricted endowments. In addition, the amount made available for spending of \$176,622 was recorded as a transfer from externally restricted endowments to unrestricted net assets.

In fiscal 2021, investment income of \$854,404 was earned on externally restricted endowment net assets. Of this amount, the amount made available for spending of \$137,231 was recorded as income in the statement of operations. The return in excess of 3.5% of opening market value was \$717,173 and was credited directly to externally restricted endowments as preservation of capital.

## **7. INTERNALLY RESTRICTED NET ASSETS**

Internally restricted net assets represent amounts restricted by the Board of Directors to provide operating funds for the Foundation when other options are unavailable due to timing or when Loran requires additional monies.

In fiscal 2022, the Board of Directors approved the transfer of \$500,000 (2021 - \$510,000) from unrestricted to internally restricted net assets.

In addition, the fiscal 2022 investment loss of \$24,144 related to internally restricted net assets, which was included in the statement of operations as part of the \$39,976 investment loss, was transferred from internally restricted net assets to unrestricted net assets. The fiscal 2021 investment income of \$1,474,343, which was included in the statement of operations, was transferred from unrestricted net assets to internally restricted net assets.

**Loran Scholars Foundation/Fondation Boursiers Loran**  
**Notes to Financial Statements**  
**April 30, 2022**

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**8. ALLOCATION OF EXPENSES**

Total general and administration costs of \$116,019 (2021 - \$121,266) were allocated to the Loran Scholar Program as follows:

	<b>2022</b>	<b>2021</b>
Summer	\$ 14,308	\$ 12,681
Mentorship and stewardship	23,256	27,391
Gatherings	39,492	36,692
Selections	38,963	44,502
	<b>\$ 116,019</b>	<b>\$ 121,266</b>

**9. COMMITMENTS**

During the year, 36 Loran Scholars were selected. Each Loran Scholar is awarded a cash grant of \$10,000 for their first year of university.

The Loran awards are renewable for up to three additional years. Awards for subsequent academic years are subject to certain conditions placed on Loran Scholars and are renewable annually at the sole discretion of the Foundation's Directors. Commitments for future years are not recognized in the financial statements. It is the intent of the Foundation to have sufficient funds invested at all times to fund all current Loran Scholars through the completion of their program.

The Foundation also offers one time grants for the Loran Finalist Awards of \$5,000 and the Loran Provincial and Territorial Awards of \$2,000 each. During the year, 51 and 57 recipients were selected for these awards respectively.

During the year, the Foundation closed its office, becoming a remote organization. Therefore, there are no long-term lease agreements for rental space and office equipment.

	<b>Loran Awards</b>	<b>Finalist and Provincial and Territorial Awards</b>	<b>Leases</b>	<b>Total</b>
2023	\$ 1,390,000	\$ 369,000	\$ -	<b>\$ 1,759,000</b>
2024	1,050,000	-	-	<b>1,050,000</b>
2025	690,000	-	-	<b>690,000</b>
2026	360,000	-	-	<b>360,000</b>
	<b>\$ 3,490,000</b>	<b>\$ 369,000</b>	<b>\$ -</b>	<b>\$ 3,859,000</b>

To meet these and future award commitments, the Foundation has received and recorded deferred contributions of \$4,677,813 (2021 - \$4,644,460).