

CARMAN AREA FOUNDATION INC.

FINANCIAL STATEMENTS

(Unaudited)

DECEMBER 31, 2017

NAKONECHNY & POWER

CHARTERED PROFESSIONAL ACCOUNTANTS LTD.

CARMAN AREA FOUNDATION INC.

DECEMBER 31, 2017

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Review Engagement Report

To the Directors of
Carman Area Foundation Inc.

We have reviewed the accompanying financial statements of Carman Area Foundation Inc. that comprise the balance sheet as at December 31, 2017 and the statements of income and surplus, and cash flows for the year 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Carman Area Foundation Inc. as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

May 28, 2018



CARMAN AREA FOUNDATION INC.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

(Unaudited)

(with prior year's figures for comparison)

ASSETS

| CURRENT | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Cash | \$ 138,791 | \$ 223,257 |
| Investments (note 1) | 22,475 | 181,408 |
| Accrued interest receivable | 1,510 | 6,233 |
| GST receivable | 752 | 1,102 |
| Accounts receivable | <u>5,877</u> | <u>5,092</u> |
| | 169,405 | 417,092 |
| ACCESS CREDIT UNION SHARES | 15 | 15 |
| INVESTMENTS, NON-CURRENT (note 1) | <u>1,944,824</u> | <u>1,460,617</u> |
| | <u>\$ 2,114,244</u> | <u>\$ 1,877,724</u> |

LIABILITIES AND NET ASSETS

| | | |
|-----------------------------|---------------------|---------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ <u>4,520</u> | \$ <u>4,520</u> |
| NET ASSETS | | |
| Endowment Fund (note 2) | 1,955,584 | 1,802,135 |
| Operating Fund | 31,459 | 26,895 |
| Held for trading Fund | 117,545 | 38,543 |
| Restricted Fund | <u>5,136</u> | <u>5,631</u> |
| | <u>2,109,724</u> | <u>1,873,204</u> |
| | <u>\$ 2,114,244</u> | <u>\$ 1,877,724</u> |

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

CARMAN AREA FOUNDATION INC.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017

(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>2017 Total</u> | <u>2016 Total</u> |
|----------------------------------|---------------------------|---------------------------|----------------------------------|----------------------------|-----------------------|-----------------------|
| REVENUE | | | | | | |
| Canada 150 Fund CFC contribution | \$ - | \$ 4,425 | \$ - | \$ - | \$ 4,425 | \$ - |
| Dividend income | 31 | - | - | - | 31 | - |
| Endowment contributions (note 3) | 108,032 | - | - | - | 108,032 | 75,622 |
| Fundraising - gala evening | 72,357 | - | - | - | 72,357 | 73,627 |
| Gain on investment dispositions | 157 | - | - | - | 157 | 298 |
| Interest income | 7,722 | - | - | - | 7,722 | 13,842 |
| TWF (The Winnipeg Foundation) | | | | | | |
| interest and dividends | 59,231 | - | - | - | 59,231 | 56,341 |
| TWF realized gains | 22,259 | - | - | - | 22,259 | 19,451 |
| Grants unused & returned | - | - | - | 5,000 | 5,000 | 1,200 |
| Fundraising - golf tournament | - | 16,354 | - | - | 16,354 | 15,362 |
| Gifts in Kind | - | 1,282 | - | - | 1,282 | 1,282 |
| TWF operating grant | - | 5,798 | - | - | 5,798 | 5,927 |
| TWF threshold grant | - | 4,000 | - | - | 4,000 | - |
| TWF unrealized gains | - | - | 79,002 | - | 79,002 | 35,190 |
| | <u>269,789</u> | <u>31,859</u> | <u>79,002</u> | <u>5,000</u> | <u>385,650</u> | <u>298,142</u> |

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

CARMAN AREA FOUNDATION INC.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017

(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>2017 Total</u> | <u>2016 Total</u> |
|---------------------------------------|---------------------------|---------------------------|----------------------------------|----------------------------|-----------------------|-----------------------|
| EXPENSES | | | | | | |
| Canada 150 Fund Grants | - | 8,850 | - | - | 8,850 | - |
| Interest and bank charges | 100 | - | - | - | 100 | 100 |
| Gala evening expenses | 13,709 | 2,436 | - | - | 16,145 | 14,904 |
| TWF administration fees | 9,216 | - | - | - | 9,216 | 6,894 |
| TWF investment fees | 5,744 | - | - | - | 5,744 | 4,154 |
| Accounting and legal | - | 4,588 | - | - | 4,588 | 8,201 |
| Conference | - | 7,230 | - | - | 7,230 | 846 |
| Executive director fees | - | 8,400 | - | - | 8,400 | 8,400 |
| Golf tournament expenses | - | 4,068 | - | - | 4,068 | 2,062 |
| Insurance | - | 1,282 | - | - | 1,282 | 1,282 |
| Membership | - | 509 | - | - | 509 | 461 |
| Office | - | 6,870 | - | - | 6,870 | 4,891 |
| Smart Giving Plan Awareness Week | - | 223 | - | - | 223 | 122 |
| Grants paid (note 7) | - | - | - | 75,905 | 75,905 | 65,660 |
| | <u>28,769</u> | <u>44,456</u> | <u>-</u> | <u>75,905</u> | <u>149,130</u> | <u>117,977</u> |
| EXCESS REVENUES (EXPENSES) | 241,020 | (12,597) | 79,002 | (70,905) | 236,520 | 180,165 |
| Transfers between funds | | | | | | |
| Granting allocation (note 5) | (70,410) | - | - | 70,410 | - | - |
| Admin fee allocation (note 6) | (17,161) | 17,161 | - | - | - | - |
| NET ASSETS - BEGINNING OF YEAR | <u>1,802,135</u> | <u>26,895</u> | <u>38,543</u> | <u>5,631</u> | <u>1,873,204</u> | <u>1,693,039</u> |
| NET ASSETS - END OF YEAR | <u>\$1,955,584</u> | <u>\$ 31,459</u> | <u>\$ 117,545</u> | <u>\$ 5,136</u> | <u>\$2,109,724</u> | <u>\$1,873,204</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, 2017

(Unaudited)

(with prior year's figures for comparison)

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| OPERATING ACTIVITIES: | | |
| Excess revenue | \$ 236,520 | \$ 180,165 |
| Adjusted for non-cash items: | | |
| Contributions made directly to TWF (note 3) | (17,455) | (6,856) |
| Investment disposition gains | (157) | (298) |
| TWF net investment income | (145,531) | (99,934) |
| TWF admin fees received for subsequent year | <u>18,433</u> | <u>13,787</u> |
| | 91,810 | 86,864 |
| Net changes in non-cash working capital items: | | |
| Accrued interest receivable | 4,723 | 187 |
| Accounts receivable | (785) | (178) |
| GST receivable | 350 | (605) |
| Accounts payable | <u>-</u> | <u>1,130</u> |
| | <u>96,098</u> | <u>87,398</u> |
| INVESTING ACTIVITIES: | | |
| Granting allocation received from TWF | 51,875 | 41,564 |
| Proceeds from other investments | 185,212 | 23,311 |
| Purchase of other investments | (3,647) | (2,619) |
| Transfers to TWF | <u>(414,004)</u> | <u>(124,997)</u> |
| | <u>(180,564)</u> | <u>(62,741)</u> |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (84,466) | 24,657 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>223,257</u> | <u>198,600</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 138,791</u> | <u>\$ 223,257</u> |
| REPRESENTED BY: | | |
| Access Credit Union chequing | \$ 129,068 | \$ 159,515 |
| Access Credit Union premium savings | 4,592 | 58,116 |
| Access Credit Union Linear Grain Fund | <u>5,131</u> | <u>5,626</u> |
| | <u>\$ 138,791</u> | <u>\$ 223,257</u> |

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

CARMAN AREA FOUNDATION INC.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
DECEMBER 31, 2017

(Unaudited)

Nature of Operations

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.

The Carman Area Foundation Inc. is a registered charity under the Income Tax Act (Canada) and while registered is exempt from income taxes.

Basis of Accounting

Carman Area Foundation Inc. applies the Canadian accounting standards for not-for-profit organizations. These standards are part of Canadian generally accepted accounting principles.

Endowment fund

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 by the fund agreements.

Operating fund

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.

Restricted fund

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.

Held for trading fund

This fund was set up to hold the unrealized gains and losses on investments. This fund is internally restricted.

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 amounts of assets and liabilities, revenues and expenses.

There are no specific areas where estimates are used on an ongoing basis.

Financial Instruments

The organization initially measures its financial assets and financial liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost.

CARMAN AREA FOUNDATION INC.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
DECEMBER 31, 2017

(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 cost. 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, 2017

(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 \$414,004 (2016 - \$124,997) was transferred to TWF.

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

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| RM of Dufferin debenture at a rate of 5% repayable over a ten year term maturing December 1, 2020 (current portion - \$11,187; 2016 - \$10,654) | \$ 35,267 | \$ 45,922 |
| Town of Carman debenture at a rate of 6.25% repayable over a twenty year term maturing December 1, 2024 (current portion - \$5,820; 2016 - \$5,477) | 49,224 | 54,701 |
| RM of Grey debenture at a rate of 3.625% repayable over a ten year term maturing December 31, 2022 (current portion - \$5,468; 2016 - \$5,277) | 29,397 | 34,674 |
| A 3% 5 year GIC held by Manulife Bank, maturing January 23, 2017, stated at fair market value | - | 160,000 |
| Investments held at The Winnipeg Foundation, stated at fair market value | <u>1,853,411</u> | <u>1,346,728</u> |
| | 1,967,299 | 1,642,025 |
| Less: Current Investments | <u>22,475</u> | <u>181,408</u> |
| Total Non-Current Investments | <u>\$ 1,944,824</u> | <u>\$ 1,460,617</u> |

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

CARMAN AREA FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Unaudited)

2. ENDOWMENT FUNDS 2017

| | <u>Opening balance</u> | <u>Admin expense</u> | <u>Grants allocated</u> | <u>Contri- butions</u> | <u>Surplus transfer</u> | <u>Investment income</u> | <u>Ending balance</u> |
|-------------------------------------|----------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------|------------------------------|---------------------------|
| General Fund | \$ 934,656 | \$ (8,760) | \$ (35,900) | \$ 75,459 | \$ - | \$ 38,291 | \$1,003,746 |
| Mason's - Boyne Lodge Fund | 15,316 | (154) | (610) | - | - | 605 | 15,157 |
| Mason's - Carman Memorial Hospital | 15,325 | (154) | (615) | - | - | 605 | 15,161 |
| Mason's - Carman Collegiate Fund | 15,149 | (152) | (605) | - | - | 598 | 14,990 |
| Mason's - CES Fund | 15,092 | (151) | (605) | - | - | 596 | 14,932 |
| Carman Kinsmen Pool Fund | 22,444 | (212) | (900) | 1,600 | - | 918 | 23,850 |
| Sperling Community Fund | 115,418 | (1,132) | (4,615) | 5,046 | - | 4,657 | 119,374 |
| Linear Grain Fund | 124,189 | (1,222) | (4,970) | 4,949 | - | 5,000 | 127,946 |
| Theatre Fund | 5,122 | (51) | (205) | - | - | 202 | 5,068 |
| Roland Community Fund | 79,846 | (728) | (3,195) | 24,307 | - | 3,632 | 103,862 |
| Health and Wellness Fund | 130,687 | (1,310) | (5,230) | - | - | 5,159 | 129,306 |
| Boyne Regional Library Fund | 27,585 | (271) | (1,100) | 11,243 | - | 1,311 | 38,768 |
| Preston-Kitching Fund | 49,250 | (464) | (1,970) | 6,147 | - | 2,066 | 55,029 |
| RM of Grey Fund | 63,352 | (525) | (2,540) | 24,034 | - | 2,975 | 87,296 |
| Carman Lions Club Fund | 12,314 | (123) | (490) | - | - | 487 | 12,188 |
| Boyne Lodge Fund | 61,453 | (616) | (2,460) | - | - | 2,426 | 60,803 |
| Carman Memorial Hospital Fund | 61,363 | (613) | (2,455) | 685 | - | 2,436 | 61,416 |
| Arts Stabilization Manitoba Fund | 15,578 | (156) | (625) | - | - | 615 | 15,412 |
| Winston Simpson Memorial Fund | 18,983 | (190) | (760) | 314 | - | 756 | 19,103 |
| Carman Golf and Curling Club Fund | 14,062 | (133) | (560) | 1,500 | - | 585 | 15,454 |
| Carman Collegiate YIP Fund (note 4) | 4,951 | (44) | - | 1,000 | - | 215 | 6,122 |
| Carman Handi-Van Fund | - | - | - | 10,396 | - | 205 | 10,601 |
| Total | <u>\$1,802,135</u> | <u>\$ (17,161)</u> | <u>\$ (70,410)</u> | <u>\$ 166,680</u> | <u>\$ -</u> | <u>\$ 74,340</u> | <u>\$1,955,584</u> |

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

CARMAN AREA FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Unaudited)

3. NON-CASH CONTRIBUTIONS

This represents contributions that were made directly to Carman Area Foundation Inc.'s fund at The Winnipeg Foundation as part of their Endow Manitoba 24 Hour Giving Challenge. These contributions are included in Endowment contributions on the Statement of Operations.

4. 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 (2013 - 2015) 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..

5. GRANTING ALLOCATION

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

6. ADMIN FEE ALLOCATION

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, 2017, \$17,161 (2016 - \$15,506), or 1% (2016 - 1%) of the average fund balance from the prior two years was transferred from each endowment fund to the operating fund to cover administrative expenses.

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

CARMAN AREA FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Unaudited)

7. GRANTS PAID

| | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|
| Aspen Winds - The Stepping Stone | \$ 500 | \$ 550 |
| Boyne Regional Library | 3,900 | 7,450 |
| Boyne Valley Hostel Corp. | 5,000 | 4,000 |
| Carman & Community Active Living Centre | - | 2,500 |
| Carman Community Seniors Resource Council | - | 1,050 |
| Carman Dufferin Recreation Commission | 3,290 | 6,860 |
| Carman Family Resource Center | 500 | - |
| Carman Memorial Hospital | 3,600 | 4,350 |
| Carman Palliative Care | 4,000 | 2,750 |
| Child & Family Services Foundation | - | 920 |
| Dufferin Historical Society | 2,500 | 850 |
| Elm Creek Stay & Play Inc. | 1,000 | 2,000 |
| Golden Prairie Arts Council | 1,625 | 950 |
| National Sport Trust Fund (Manitoba) | 2,000 | - |
| PRSD - Carman Collegiate | 1,350 | 2,000 |
| PRSD - Carman Elementary Parent Advisory Council | - | 3,000 |
| PRSD - Carman Elementary School | 2,060 | 630 |
| PRSD - Elm Creek School | 2,375 | - |
| PRSD - Elm Creek School Parent Advisory Council | - | 4,200 |
| PRSD - Roland School | 1,850 | - |
| PRSD - YIP Carman Collegiate (note 4) | 3,500 | 3,500 |
| Rainbow Residence | - | 2,500 |
| RM of Dufferin - Pumpkin Creek Ski Club | 2,490 | - |
| RM of Dufferin - Roseisle Planning Committee | 1,000 | - |
| RM of Grey - Elm Creek Community Hall | 2,795 | - |
| RM of Grey - Elm Creek Curling Club | 2,500 | - |
| RM of Grey - Elm Creek Skating Club | 2,500 | - |
| RM of Grey - Haywood Playground | 500 | - |
| RM of Grey - Theatre | 205 | - |
| RM of Roland - Historical Society | 5,000 | 5,000 |
| RM of Roland - Memory Garden | 500 | - |
| RM of Roland - Roland Golf Club | 2,000 | - |
| Roland Pumpkin Fair | - | 500 |
| Southern Health | - | 2,000 |
| Sperling Community Club | 4,615 | 4,600 |
| Tempo Festival of the Arts | - | 500 |
| TLC Centre Inc. | 1,500 | 3,000 |
| Town of Carman - Carman Minor Ball | 3,000 | - |
| Town of Carman - Carman Splash Pad | 3,600 | - |
| Wee Care Child Care Center Inc. | 4,650 | - |
| Total grants paid | <u>\$ 75,905</u> | <u>\$ 65,660</u> |

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

CARMAN AREA FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Unaudited)

8. 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, 2017.

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 as the prices denominated in foreign currencies are converted to Canadian dollar in determining 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.

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

CARMAN AREA FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(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.

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