

**RED DEER & DISTRICT
COMMUNITY FOUNDATION**

Independent Auditor's Report
and Financial Statements

December 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Directors of the Red Deer & District Community Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Red Deer & District Community Foundation, which comprise the statement of financial position as at December 31, 2015 and the statements of operations, community fund balances 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted 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, we consider internal controls relevant to the Foundation'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 Foundation'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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Red Deer & District Community Foundation as at December 31, 2015, 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.

Collins Barrow Red Deer LLP

Red Deer, Alberta
June 9, 2016

Chartered Professional Accountants

**Red Deer and District Community Foundation
Contents
December 31, 2015**

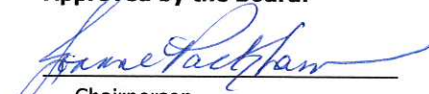
Financial Statements	Page
Statement of Financial Position	1
Statement of Operations	2
Statement of Community Fund Balances	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 – 8
Schedule 1 – Program Allocation	9

**RED DEER & DISTRICT COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION**

For the year ended December 31, 2015 with
comparative figures for December 31, 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT		
Cash	\$ 895,882	\$ 86,364
Accrued interest receivable	9,153	9,699
Donations and grants receivable	20,822	7,350
Goods and Services Tax receivable	2,134	3,973
Prepaid and deposits	6,909	2,427
	<hr/>	<hr/>
	934,900	109,813
INVESTMENTS (note 3)	11,874,126	12,224,298
LEASEHOLD IMPROVEMENTS (note 4)	4,343	6,347
	<hr/>	<hr/>
	<u>\$ 12,813,369</u>	<u>\$ 12,340,458</u>
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accruals	\$ 4,935	\$ 5,959
Deferred grant revenue	7,500	2,500
Current portion of leasehold improvements loan (note 5)	2,087	1,986
	<hr/>	<hr/>
	14,522	10,445
LEASEHOLD IMPROVEMENTS LOAN (note 5)	2,761	4,848
	<hr/>	<hr/>
	17,283	15,293
<u>FUND BALANCES</u>		
GENERAL ENDOWMENT FUND	3,091,861	3,145,942
DESIGNATED ENDOWMENT FUNDS	5,086,901	5,091,390
OPERATING ENDOWMENT FUND	1,417,448	349,768
FIELD OF INTEREST FUNDS	1,418,686	1,411,975
DONOR ADVISED FUNDS	363,675	274,224
FLOW-THROUGH FUNDS	193,097	205,547
MANAGED FUNDS	1,292,227	1,934,290
	<hr/>	<hr/>
	12,863,895	12,413,136
OPERATING DEFICIT	(67,809)	(87,971)
	<hr/>	<hr/>
	12,796,086	12,325,165
	<hr/>	<hr/>
	<u>\$ 12,813,369</u>	<u>\$ 12,340,458</u>

Approved by the Board:


Chairperson


Secretary/Treasurer

**RED DEER & DISTRICT COMMUNITY FOUNDATION
STATEMENT OF OPERATIONS**

For the year ended December 31, 2015 with
comparative figures for December 31, 2014

	<u>2015</u>	<u>2014</u>
REVENUES:		
Interest, dividends and capital gains	\$ 623,767	\$ 1,055,802
Fund administrative fees	169,338	169,936
Donations and sponsorships	69,374	119,234
	862,479	1,344,972
Less revenue allocated to Community Funds	623,767	1,055,802
	238,712	289,170
OPERATIONS EXPENSES:		
Wages and contracts	121,614	134,418
Programs	28,447	65,587
Professional fees	17,388	15,850
Rent	16,496	15,156
Office	12,933	15,449
Conferences and meetings	5,603	4,907
Insurance	4,993	4,906
Membership fees	3,606	3,712
Bank charges	2,674	1,697
Advertising	2,495	2,275
Amortization	2,004	2,004
Interest on leasehold improvements loan	297	394
Investment management fees	-	46,591
	218,550	312,946
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	20,162	(23,776)
OPERATING DEFICIT, BEGINNING OF YEAR	(87,971)	(64,195)
OPERATING DEFICIT, END OF YEAR	\$ (67,809)	\$ (87,971)

**RED DEER & DISTRICT COMMUNITY FOUNDATION
STATEMENT OF COMMUNITY FUND BALANCES**

For the year ended December 31, 2015 with comparative figures for December 31, 2014

	GENERAL ENDOWMENT	DESIGNATED & OPERATING	FIELD OF INTEREST	DONOR ADVISED	FLOW THROUGH	MANAGED	TOTAL 2015	TOTAL 2014
BALANCE, BEGINNING OF YEAR	\$ 3,145,942	\$ 5,441,158	\$ 1,411,975	\$ 274,224	\$ 205,547	\$ 1,934,290	\$ 12,413,136	\$ 10,982,113
Interest, dividends and capital gains	174,963	306,583	79,538	15,743	-	46,940	623,767	1,055,802
Return on capital adjustment	(4,469)	(7,830)	(2,031)	(402)	-	(230)	(14,963)	(28,924)
Distributions	(95,344)	(123,591)	(47,528)	(11,525)	(162,244)	(654,074)	(1,094,306)	(410,893)
Allocation of operating costs	(51,817)	(72,758)	(20,865)	(3,785)	(5,997)	(14,116)	(169,338)	(169,936)
Net change in unrealized gains (losses) in investments	(88,764)	(155,161)	(39,815)	(7,846)	-	(20,583)	(312,168)	327,312
Contributions received (withdrawn) - net	11,350	1,115,948	37,412	97,266	155,791	-	1,417,767	657,662
BALANCE, END OF YEAR	<u>\$ 3,091,861</u>	<u>\$ 6,504,349</u>	<u>\$ 1,418,686</u>	<u>\$ 363,675</u>	<u>\$ 193,097</u>	<u>\$ 1,292,227</u>	<u>\$ 12,863,895</u>	<u>\$ 12,413,136</u>

**RED DEER & DISTRICT COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS**

For the year ended December 31, 2015 with
comparative figures for December 31, 2014

	<u>2015</u>	<u>2014</u>
OPERATING		
Cash receipts from contributors and grants	\$ 67,685	\$ 208,793
Cash paid to suppliers and employees	(222,054)	(326,351)
Funds received from contributors	1,167,196	332,612
Disbursements paid to recipients	<u>(1,096,639)</u>	<u>(410,893)</u>
	(83,812)	(195,839)
INVESTING		
Contributions to investment funds	(11,627)	(700,000)
Withdrawal of investment funds	<u>906,943</u>	<u>300,000</u>
	895,315	(400,000)
FINANCING		
Repayment on leasehold improvement loan	<u>(1,986)</u>	<u>(1,888)</u>
	(1,986)	(1,888)
INCREASE (DECREASE) IN CASH	809,518	(597,727)
CASH, BEGINNING OF YEAR	<u>86,364</u>	<u>684,091</u>
CASH, END OF YEAR	<u>\$ 895,882</u>	<u>\$ 86,364</u>

During the year, contributions of shares were received in the amount of \$250,569 (2014 - \$325,050). This has been excluded from the statement of cash flows as it is a non-cash transaction.

**RED DEER & DISTRICT COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. OBJECTIVES OF THE FOUNDATION

The Red Deer & District Community Foundation ("the Foundation") was incorporated pursuant to the Societies Act of the Province of Alberta on June 27, 1989.

The objective of the Foundation is to employ the funds entrusted to the Foundation together with the income generated thereon to provide funding for charitable, philanthropic, humanitarian, educational, cultural, and benevolent purposes in the City of Red Deer and surrounding district.

The Foundation is a registered charity that has qualified for income tax exempt status for the current year. The Foundation may issue tax-deductible receipts to donors.

2. ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Measurement uncertainty – the financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include certain estimates based on management's judgments. These estimates affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. There are no significant areas requiring the use of estimates.

Fund accounting – as certain donors have provided funds for special purposes, the financial statements have been prepared in a manner that segregates the fund categories in accordance with the restrictions and conditions regarding the distribution of these funds. The funds, by category, are reported in the Statement of Community Fund Balances and are described as follows:

- a) General Endowment Funds – unless otherwise specified by the donor, donations are recorded as additions to the capital base of the General Endowment Fund. The income earned on these funds, except as noted in (g) below, is available for distribution in accordance with the General Endowment Funds Policy of the Foundation as established by the Board of Directors.
- b) Designated and Operating Funds – a donor may specify that a donation shall be restricted for a specific purpose as defined by the donor. These funds are defined as designated and the income earned on these funds, except as noted in (g) below, is available for distribution only in accordance with the terms and conditions established by the donor upon settling the fund. Donations to these funds are recorded as additions to the capital base of the Designated Funds. Operating Funds are those specifically designated for the operations of the Foundation.
- c) Field of Interest Funds – the donors of the funds within this category have specified generally what types of activities or projects shall benefit from these funds and distributions are therefore restricted to the donor's specified field of interest. Donations to these funds are recorded as additions to the capital base of the Field of Interest Funds. The income earned on these funds, except as noted in (g) below, is available for distribution in accordance with the Field of Interest Funds Policy of the Foundation as established by the Board of Directors together with the field of interest criteria as specified by the donor.
- d) Donor Advised Funds – the donors of these funds are given the opportunity to recommend to the Foundation's Board of Directors, specific organizations to receive grants from their funds. As such, it assists individuals and their families with their charitable donations without the costs associated with establishing a private foundation. Additionally, it fosters a variety of ways in which community members can participate in building a community legacy for Red Deer and the surrounding area. The income earned on these funds, except as noted in (g) below, is available for distribution in accordance with the Donor Advised Funds Policy of the Foundation as established by the Board of Directors together with the criteria as specified by the donor. Donations to these funds are recorded as additions to the capital base of the Donor Advised Funds.

**RED DEER & DISTRICT COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

2. ACCOUNTING POLICIES (CONTINUED)

- e) Flow Through Funds – contributions are distributed to registered charities and the criteria for the distribution are determined solely by the benefactor of the fund. The distribution process normally occurs within the year of receipt; however, the distribution must occur in compliance with Canada Revenue Agency regulations.
- f) Managed Funds – contributions are the property of another agency or organization that have been placed with the Foundation solely for management of the funds. Any income or loss experienced by these funds is reported within the fund. The distribution of the fund is solely determined by the settlor of the fund and the fund is charged a management fee by the Foundation.
- g) Preservation of Capital - the Board of Directors established a policy whereby a portion of the annual income of each fund within the above funds shall be set aside as a Preservation of Capital allocation. The distribution of the accumulated Preservation of Capital is subject to the approval of the Board of Directors.

Donated Services – The Foundation benefits from donated services in the form of volunteer time by the members of the Board and various committees of the Board. There are no amounts reflected in these financial statements relative to these donated services.

Financial Instruments - The Foundation measures its financial instruments initially at fair value and subsequently measures them at amortized cost, except for investments which are measured at fair value. Transaction costs are expensed when incurred.

Leasehold Improvements – Leasehold improvements are being amortized on a straight-line basis over the remaining term of the lease.

Revenue Recognition – Fund administrative fees are recognized when earned at rates approved by the Board of Directors. Unrestricted donations and sponsorships are recognized when received. Restricted donations to a fund are recognized as a direct increase to the fund balance. Restricted operating donations are deferred and recognized when the related expense is incurred. Interest, dividends, and capital gains are recognized when earned net of investment management fees. Return of capital distributions received from investments in income trusts are treated as a reduction of the cost base of the asset.

3. INVESTMENTS

	<u>2015</u>	<u>2014</u>
Cash and short term notes	\$ 805,337	\$ 1,450,570
Bonds and debentures	5,198,116	4,958,503
Canadian securities	3,122,071	3,548,356
Foreign securities	<u>2,748,602</u>	<u>2,266,869</u>
Estimated market value	<u>\$ 11,874,126</u>	<u>\$ 12,224,298</u>

Included in short term notes and bonds and debentures are bonds with interest rates ranging from 2.65% to 5.763% and maturity dates ranging from June 2016 to April 2024.

The total accumulated unrealized gain at December 31, 2015 was \$15,143 (2014 - \$327,312).

4. LEASEHOLD IMPROVEMENTS

The Foundation has leasehold improvements which cost \$10,021 (2014 - \$10,021), have accumulated amortization of \$5,678 (2014 - \$3,674) and a net book value of \$4,343 (2014 - \$6,347).

**RED DEER & DISTRICT COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

5. LEASEHOLD IMPROVEMENTS LOAN

Leasehold improvements loan repayable in monthly instalments of \$190 including interest at 5.00%, due March 2018. Collateral is provided by leasehold improvements with a net book value of \$4,343.

	<u>2015</u>	<u>2014</u>
	\$ 4,848	\$ 6,834
Current portion	<u>2,087</u>	<u>1,986</u>
	<u>\$ 2,761</u>	<u>\$ 4,848</u>

The estimated principal repayments for the next three years are as follows:

2016	2,087
2017	2,194
2018	<u>567</u>
	<u>\$ 4,848</u>

6. FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash, accrued interest receivable, donations and grants receivable, investments, accounts payable and accruals and leasehold improvements loan. It is management's opinion that the Foundation is not exposed to significant interest, credit, liquidity, market or currency arising from these financial instruments, except as follows:

Credit risk

The Foundation is exposed to credit risk if a bond or note issuer of a financial instrument fails to meet their contractual obligations. To mitigate this risk the Foundation obtains investment advice from qualified investment advisors to select appropriate issuers.

Market price risk

The Foundation is exposed to market price risk as the Canadian and foreign securities included in investments are traded in the market. Market price risk is the risk that the value of an investment will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuers or factors affecting all securities traded in the market.

Interest rate price risk

The Foundation is exposed to interest rate price risk as certain investments and the leasehold improvements loan bears interest at fixed interest rates.

**RED DEER & DISTRICT COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

7. LIFE INSURANCE CONTRACTS - CONTINGENT PROCEEDS

The Foundation is the named beneficiary of certain contracts of life insurance. The timing of the receipt of the proceeds from these contracts and realizable amounts pursuant to these contracts is uncertain, therefore, the Foundation has not recognized any amounts relative to these contracts in the financial statements. At year end if all contracts were realized the Foundation would receive proceeds of over two million dollars. The Foundation will recognize any benefits from these contracts upon realization.

8. CANADIAN ARTS AND HERITAGE SUSTAINABILITY PROGRAM

In 2003 the Foundation and the Red Deer Symphony Orchestra (RDSO) were the successful recipients of a grant under the auspices of the Endowment Incentives Component of the Canadian Arts and Heritage Sustainability Program of the Government of Canada. The grant was allocated on a matching basis, dependent upon endowment fundraising efforts of the RDSO between February 22, 2002 and December 31, 2008, and was contributed to the Orchestra Conductor's Chair Designated Fund, which supports and benefits the RDSO. Fund activities in 2015 are as follows, and are reflected in the Designated Fund category total:

Fund Opening Balance	\$ 81,075
Additions	-
Paid to RDSO	(2,691)
Investment Income	4,619
Return of Capital	(118)
Unrealized Capital Loss	(91)
Administration Costs	<u>(1,036)</u>
Fund Balance – Market Value	<u>\$ 81,757</u>

9. COMMITMENTS

The Foundation entered into an office premise lease effective March 2013 due to expire February 2018. Under the terms of the operating lease, the Foundation is committed to make the following minimum payments per year:

2016	12,850
2017	13,150
2018	<u>2,200</u>
	<u>\$ 28,200</u>

10. COMPARATIVE AMOUNTS

The presentation of certain amounts of the previous year has been changed to conform to the presentation adopted for the current year.

RED DEER & DISTRICT COMMUNITY FOUNDATION
SCHEDULE 1 - PROGRAM ALLOCATION
YEAR ENDED DECEMBER 31, 2015
(unaudited)

	GENERAL OPERATIONS	WOMEN OF EXCELLENCE	TOTAL 2015
REVENUES:			
Fund administrative fees	\$ 169,338	\$ -	\$ 169,338
Donations and sponsorships	5,909	63,465	69,374
	<u>175,247</u>	<u>63,465</u>	<u>238,712</u>
OPERATING EXPENSES			
Wages and contracts	121,614	-	121,614
Programs	-	28,447	28,447
Professional fees	17,388	-	17,388
Rent	16,496	-	16,496
Office	12,489	444	12,933
Conferences and meetings	5,597	6	5,603
Insurance	4,993	-	4,993
Membership fees	3,606	-	3,606
Bank charges	2,674	-	2,674
Advertising	2,495	-	2,495
Amortization	2,004	-	2,004
Interest on leasehold improvements loan	297	-	297
	<u>189,653</u>	<u>28,897</u>	<u>218,550</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (14,406)</u>	<u>\$ 34,568</u>	<u>\$ 20,162</u>