

**RED DEER & DISTRICT
COMMUNITY FOUNDATION**

Independent Auditor's Report
and Financial Statements

December 31, 2016

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, 2016 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, 2016, 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 15, 2017

Chartered Professional Accountants

Red Deer and District Community Foundation
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**RED DEER & DISTRICT COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION**

For the year ended December 31, 2016 with
comparative figures for December 31, 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT		
Cash	\$ 183,429	\$ 895,882
Accrued interest receivable	4,001	9,153
Donations and grants receivable (note 3)	50,000	20,822
Goods and Services Tax receivable	2,465	2,134
Prepaid and deposits	8,862	6,909
	<hr/>	<hr/>
	248,757	934,900
INVESTMENTS (note 4)	12,618,717	11,874,126
CAPITAL ASSETS (note 5)	13,374	4,343
LONG TERM PORTION OF GRANTS RECEIVABLE (note 3)	70,000	-
	<hr/>	<hr/>
	<u>\$ 12,950,848</u>	<u>\$ 12,813,369</u>
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accruals	\$ 9,754	\$ 4,935
Deferred revenue (note 6)	68,801	7,500
Current portion of leasehold improvements loan (note 7)	2,194	2,087
	<hr/>	<hr/>
	80,749	14,522
LEASEHOLD IMPROVEMENTS LOAN (note 7)	567	2,761
LONG TERM PORTION OF DEFERRED REVENUE (note 6)	70,000	-
DEFERRED CAPITAL GRANT (note 8)	11,035	-
	<hr/>	<hr/>
	162,351	17,283
<u>FUND BALANCES</u>		
SMART & CARING COMMUNITIES FUND	3,028,570	3,091,861
DESIGNATED ENDOWMENT FUNDS	4,968,682	5,086,901
OPERATING ENDOWMENT FUND	1,434,415	1,417,448
FIELD OF INTEREST FUNDS	1,417,614	1,418,686
DONOR ADVISED FUNDS	504,423	363,675
FLOW-THROUGH FUNDS	230,015	193,097
MANAGED FUNDS	1,262,320	1,292,227
	<hr/>	<hr/>
	12,846,039	12,863,895
OPERATING DEFICIT	(57,542)	(67,809)
	<hr/>	<hr/>
	12,788,497	12,796,086
	<hr/>	<hr/>
	<u>\$ 12,950,848</u>	<u>\$ 12,813,369</u>

Approved by the Board:



Chairperson



Secretary/Treasurer

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

For the year ended December 31, 2016 with
comparative figures for December 31, 2015

	<u>2016</u>	<u>2015</u>
REVENUES:		
Interest, dividends and capital gains	\$ 218,414	\$ 623,767
Fund administrative fees	182,875	169,338
Sponsorships	43,619	63,865
Operating endowment revenue	11,750	-
Donations	2,842	5,509
Amortization of deferred capital grant	2,738	-
	<hr/>	<hr/>
	462,238	862,479
Less revenue allocated to Community Funds	<hr/>	<hr/>
	218,414	623,767
	<hr/>	<hr/>
	243,824	238,712
OPERATIONS EXPENSES:		
Wages and contracts	128,577	121,614
Professional fees	29,072	17,388
Programs	24,496	28,447
Rent	18,087	17,382
Office	13,941	12,933
Insurance	5,092	4,993
Amortization	4,742	2,004
Membership fees	3,820	3,606
Advertising	2,299	2,495
Conferences and meetings	1,913	4,717
Bank charges	1,323	2,674
Interest on leasehold improvements loan	195	297
	<hr/>	<hr/>
	233,557	218,550
EXCESS OF REVENUES OVER EXPENSES	10,267	20,162
OPERATING DEFICIT, BEGINNING OF YEAR	<hr/>	<hr/>
	(67,809)	(87,971)
OPERATING DEFICIT, END OF YEAR	<hr/>	<hr/>
	\$ (57,542)	\$ (67,809)

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

For the year ended December 31, 2016 with comparative figures for December 31, 2015

	SMART & CARING COMMUNITIES	DESIGNATED & OPERATING	FIELD OF INTEREST	DONOR ADVISED	FLOW THROUGH	MANAGED	TOTAL 2016	TOTAL 2015
BALANCE, BEGINNING OF YEAR	\$ 3,091,861	\$ 6,504,349	\$ 1,418,686	\$ 363,675	\$ 193,097	\$ 1,292,227	\$ 12,863,895	\$ 12,413,136
Interest, dividends and capital gains	50,782	106,783	23,588	6,639	-	30,622	218,414	623,767
Return on capital adjustment	-	-	-	-	-	-	-	(14,963)
Distributions	(95,665)	(134,694)	(41,389)	(7,296)	(227,393)	-	(506,437)	(422,007)
Allocation of operating costs	(50,810)	(83,245)	(20,952)	(5,781)	(3,851)	(15,512)	(180,151)	(169,338)
Net change in unrealized gains (losses) in investments	32,402	57,983	15,106	15,503	-	(45,017)	75,977	(312,168)
Contributions received (withdrawn) - net	-	22,364	22,575	121,411	207,991	-	374,341	745,468
BALANCE, END OF YEAR	\$ 3,028,570	\$ 6,473,540	\$ 1,417,614	\$ 494,151	\$ 169,844	\$ 1,262,320	\$ 12,846,039	\$ 12,863,895

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

For the year ended December 31, 2016 with
comparative figures for December 31, 2015

	<u>2016</u>	<u>2015</u>
OPERATING		
Cash receipts from contributors and grants	\$ 96,723	\$ 67,685
Cash paid to suppliers and employees	(225,949)	(222,054)
Fund received from contributors	423,823	1,167,196
Disbursements paid to recipients	<u>(575,986)</u>	<u>(1,096,639)</u>
	(281,389)	(83,812)
INVESTING		
Capital additions	(13,773)	-
Receipt of capital grant	14,934	-
Contributions to investment funds	(903,831)	(11,627)
Withdrawal of investment funds	<u>473,693</u>	<u>906,943</u>
	(428,976)	895,315
FINANCING		
Repayment on leasehold improvements loan	<u>(2,087)</u>	<u>(1,986)</u>
	(2,087)	(1,986)
INCREASE (DECREASE) IN CASH	(712,453)	809,518
CASH, BEGINNING OF YEAR	<u>895,882</u>	<u>86,364</u>
CASH, END OF YEAR	<u>\$ 183,430</u>	<u>\$ 895,882</u>

During the year, contributions of shares were received in the amount of \$20,960 (2015 - \$250,569). 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, 2016**

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) Smart & Caring Communities Fund – unless otherwise specified by the donor, donations are recorded as additions to the capital base of the Smart & Caring Communities 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, the funds assist 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, 2016**

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.

Cash and Cash Equivalents – Restricted cash and cash equivalent values are not included in the statement of cash flows.

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.

Capital Assets – Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution, unless the fair value cannot be reasonably determined, in which case the asset is recorded at a nominal value. During the year no contributed capital assets were recorded the financial statements. Leasehold improvements are being amortized over their estimated useful lives on a straight-line basis whereas capital assets are being amortized over their estimated useful lives on a declining balance basis. The annual amortization rates are as follows:

Leasehold improvements	5 years
Computer equipment	55%
Computer software	30%

One half amortization is calculated in the year of acquisition. No amortization is calculated in the year of disposition.

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. Restricted contributions related to capital assets are recognized as revenue as the related capital assets are amortized.

**RED DEER & DISTRICT COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

3. DONATIONS AND GRANTS RECEIVABLE

During the year a grant was received from an anonymous donor in the amount of \$145,074 to fund technology hardware and software upgrades, website redesign, professional development and the addition of another position, Grants Coordinator and Administration. In 2016 the Foundation received \$25,074 of this grant for technology upgrades, website redesign and professional development of which \$13,773 was spent. The remaining amount relates to the Grants Coordinator and Administration position and is receivable as follows:

2017		\$	50,000
2018			40,000
2019			29,900
2021			100
			\$ 120,000

4. INVESTMENTS

	2016	2015
Cash and short term notes	\$ 660,468	\$ 805,337
Bonds and debentures	5,010,547	5,198,116
Canadian securities	2,018,305	3,122,071
Foreign securities	4,929,397	2,748,602
Estimated market value	\$ 12,618,717	\$ 11,874,126

Included in short term notes and bonds and debentures are bonds with interest rates ranging from 2.65% to 5.76% and maturity dates ranging from January 2017 to May 2046.

The total accumulated unrealized gain at December 31, 2016 was \$79,993 (2015 - \$15,143).

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2016 Net	2015 Net
Leasehold improvements	\$ 10,021	\$ 7,682	\$ 2,339	\$ 4,343
Computer software	8,400	1,260	7,140	-
Computer hardware	5,373	1,478	3,895	-
	\$ 23,794	\$ 10,420	\$ 13,374	\$ 4,343

**RED DEER & DISTRICT COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

6. DEFERRED REVENUE

Deferred revenue consists of grants and donations that have been externally restricted by the donor or have been solicited by the Foundation for a specific purpose.

	2016	2015
Women of excellence sponsorship	\$ 7,500	\$ 7,500
Anonymous donor	131,301	-
	138,801	7,500
	68,801	7,500
	\$ 70,000	\$ -

7. LEASEHOLD IMPROVEMENTS LOAN

	2016	2015
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 \$2,338.	\$ 2,761	\$ 4,848
Current portion	2,194	2,087
	\$ 567	\$ 2,761

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

2017		\$ 2,194
2018		567
		\$ 2,761

8. DEFERRED CAPITAL GRANT

Unamortized deferred capital grants represent restricted contributions used to purchase capital assets. The balances are amortized using the same basis as the asset acquired. The changes in the deferred contributions balance for the year are as follows:

	2016
Balance, beginning of year	\$ -
Additions	13,773
Less amounts amortized to revenue	(2,738)
Balance, end of year	\$ 11,035

**RED DEER & DISTRICT COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

9. 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 in two areas, if a bond or note issuer of a financial instrument fails to meet their contractual obligations or secondly, if accounts receivable is not collected. To mitigate the financial instrument risk the Foundation obtains investment advice from qualified investment advisors to select appropriate issuers. To mitigate the accounts receivable risk the Foundation only records amounts receivable from reputable donors where agreements are in place to receive the funds.

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. To mitigate this risk the Foundation obtains investment advice from qualified investment advisors to select appropriate issuers. Furthermore, the board of directors has set out fund parameters that detail the permissible ranges for each asset class indicating minimum and maximum positions as a percentage of the Fund's total market value.

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.

10. 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. In 2016, one of the life insurance policies lapsed. There is a possibility of the policy being reinstated, however there are only two years remaining until reinstatement is no longer possible. This increases the uncertainty of whether the Foundation will receive the related proceeds of \$728,738. The Foundation will recognize any benefits from these contracts upon realization.

11. 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:

2017	\$	13,150
2018		2,200
	\$	<u>15,350</u>