RED DEER & DISTRICT COMMUNITY FOUNDATION

Independent Auditor's Report
and Financial Statements

December 31, 2014

Collins Barrow
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board 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, 2014 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, the auditor considers internal control 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, 2014, the results of its operations and 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, 2015

Chartered Accountants

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RED DEER & DISTRICT COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2014 with
comparative figures for December 31, 2013

ASSETS

	2014	2013
CURRENT		
Cash	$ 86,364	$ 684,091
Accrued interest receivable	9,699	9,958
Donations and grants receivable	7,350	116,703
Goods and Services Tax receivable	3,973	4,953
Prepaid and deposits	2,427	1,240
	109,813	816,945
INVESTMENTS (note 3)	12,224,298	10,617,249
LEASEHOLD IMPROVEMENTS (note 4)	6,347	8,351
	$ 12,340,458	$ 11,442,545

LIABILITIES

CURRENT		
Accounts payable and accruals	$ 5,959	$ 7,787
Deferred grant revenue	2,500	24,660
Current portion of leasehold improvements loan (note 5)	1,986	1,889
	10,445	34,336
LEASEHOLD IMPROVEMENTS LOAN (note 5)	4,848	6,833
	15,293	41,169

FUND BALANCES

GENERAL ENDOWMENT FUND	3,145,942	3,027,954
DESIGNATED ENDOWMENT FUNDS	5,091,390	4,472,998
OPERATING ENDOWMENT FUND	349,768	318,758
FIELD OF INTEREST FUNDS	1,411,975	1,350,713
DONOR ADVISED FUNDS	274,224	252,294
FLOW-THROUGH FUNDS	205,547	192,197
MANAGED FUNDS	1,934,290	1,850,657
	12,413,136	11,465,571
OPERATING DEFICIT	(87,971)	(64,195)
	12,325,165	11,401,376
	$ 12,340,458	$ 11,442,545

Approved by the Board:

Chairperson

Secretary/Treasurer

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RED DEER & DISTRICT COMMUNITY FOUNDATION
STATEMENT OF OPERATIONS

For the year ended December 31, 2014 with comparative figures for December 31, 2013

	2014	2013
REVENUES:		
Interest, dividends and capital gains	$ 1,055,802	$ 963,157
Fund administrative fees	169,936	156,040
Donations and sponsorships	119,234	177,586
	1,344,972	1,296,783
Less revenue allocated to Community Funds	1,055,802	963,157
	289,170	333,626
EXPENSES:		
Wages and contracts	134,418	126,131
Programs	65,587	73,818
Investment management fees	46,591	53,870
Professional fees	15,850	19,245
Office	15,449	20,491
Rent	15,156	19,790
Conferences and meetings	4,907	10,429
Insurance	4,906	4,858
Membership fees	3,712	3,116
Advertising	2,275	3,285
Amortization	2,004	3,869
Bank charges	1,697	1,150
Interest on leasehold improvements loan	394	356
	312,946	340,408
DEFICIENCY OF REVENUES OVER EXPENSES	(23,776)	(6,782)
OPERATING DEFICIT, BEGINNING OF YEAR	(64,195)	(57,413)
OPERATING DEFICIT, END OF YEAR	$ (87,971)	$ (64,195)

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RED DEER & DISTRICT COMMUNITY FOUNDATION
STATEMENT OF COMMUNITY FUND BALANCES

For the year ended December 31, 2014 with comparative figures for December 31, 2013

	GENERAL ENDOWMENT	DESIGNATED & OPERATING	FIELD OF INTEREST	DONOR ADVISED	FLOW THROUGH	See Note 2 (f) MANAGED	TOTAL 2014	TOTAL 2013
DISTRIBUTABLE FUNDS:								
Interest, dividends and capital gains	$ 299,792	$ 478,643	$ 133,602	$ 24,967	$ -	$ 118,798	$ 1,055,802	$ 732,838
Return on capital adjustment	(8,534)	(13,625)	(3,803)	(710)	-	(2,252)	(28,924)	(60,099)
Contributions	-	-	-	-	166,007	-	166,007	336,944
	291,258	465,018	129,799	24,257	166,007	116,546	1,192,885	1,009,683
Distributions	73,070	123,169	42,010	9,485	148,382	14,777	410,893	969,662
Allocation of fund administrative fees	52,857	63,344	20,856	3,492	4,275	25,112	169,936	156,040
Transfer to endowment,								
preservation of capital	-	-	-	-	-	-	-	-
operating endowment fees	-	7,503	-	-	-	-	7,503	7,618
	125,927	194,016	62,866	12,977	152,657	39,889	588,332	1,133,320
Change during the year	165,331	271,002	66,933	11,280	13,350	76,657	604,553	(123,637)
Balance, beginning of year	54,633	398,133	173,964	49,081	192,197	1,809,101	2,677,109	2,800,746
Balance, end of year	219,964	669,135	240,897	60,361	205,547	1,885,758	3,281,662	2,677,109
UNREALIZED GAINS (LOSSES) IN INVESTMENTS:	85,291	147,830	38,224	7,435	-	48,532	327,312	483,458
ENDOWMENT FUNDS:								
PRESERVATION OF CAPITAL:								
Balance, beginning of year	145,857	99,484	8,506	2,223			256,070	256,070
Preservation of capital transfer	-	-	-	-			-	-
	145,857	99,484	8,506	2,223			256,070	256,070
ORIGINAL ENDOWMENT:								
Balance, beginning of year	2,685,930	4,068,629	1,105,170	189,205			8,048,934	7,041,218
Contributions received (withdrawn) - net	8,900	448,577	19,178	15,000			491,655	1,000,098
Operating endowment fees transfer	-	7,503	-	-			7,503	7,618
	2,694,830	4,524,709	1,124,348	204,205			8,548,092	8,048,934
Balance, end of year	2,840,687	4,624,193	1,132,854	206,428			8,804,162	8,305,004
COMMUNITY FUND BALANCES	$ 3,145,942	$ 5,441,158	$ 1,411,975	$ 274,224	$ 205,547	$ 1,934,290	$ 12,413,136	$ 11,465,571

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RED DEER & DISTRICT COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS

For the year ended December 31, 2014 with
comparative figures for December 31, 2013

	2014	2013
OPERATING		
Cash receipts from contributors and grants	$ 208,793	$ 180,148
Cash paid to suppliers and employees	(326,351)	(338,096)
Commmunity funds received from contributors	332,612	1,049,453
Disbursements paid to recipients	(410,893)	(969,693)
	(195,839)	(78,188)
INVESTING		
Capital additions	-	(10,021)
Contributions to investment funds	(700,000)	-
Withdrawal of investment funds	300,000	125,000
	(400,000)	114,979
FINANCING		
Proceeds from leasehold improvements loan	-	10,077
Repayment on leasehold improvements loan	(1,888)	(1,355)
	(1,888)	8,722
INCREASE (DECREASE) IN CASH	(597,727)	45,513
CASH, BEGINNING OF YEAR	684,091	638,578
CASH, END OF YEAR	$ 86,364	$ 684,091

During the year a contribution of shares to the Community Funds was received in the amount of $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, 2014

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.

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. The significant area requiring the use of estimates is estimated useful lives of leasehold improvements. Actual results will differ from those estimates.

In the opinion of management, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of accounting principles summarized below:

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.

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

	2014	2013
Short term notes	$ 1,450,570	$ 1,165,769
Bonds and debentures	4,958,503	3,993,153
Canadian securities	3,548,356	3,476,621
Foreign securities	2,266,869	1,981,706
Estimated market value	$ 12,224,298	$ 10,617,249

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 March 2015 to April 2024.

The total accumulated unrealized gain at December 31, 2014 was $327,312 (2013 - $483,458).

4. LEASEHOLD IMPROVEMENTS

The Foundation has leasehold improvements which cost $10,021 (2013 - $10,021), have accumulated amortization of $3,674 (2013 - $1,670) and a net book value of $6,347 (2013 - $8,351).

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 $6,347.	2014	2013
	$ 6,834	$ 8,722
Current portion	1,986	1,889
	$ 4,848	$ 6,833

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

2015	$ 1,986
2016	2,088
2017	2,194
2018	566
	$ 6,834

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 organization 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.

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 2014 are as follows, and are reflected in the Designated Fund category total:

Fund Opening Balance (Established May 16, 2003)	$ 77,106
Additions	-
Paid to RDSO	(2,666)
Investment Income	7,918
Return of Capital	(225)
Unrealized Capital Gain	2,249
Administration Costs	(1,058)
Fund Balance – Market Value	$ 83,324

9. COMMITMENTS

The Foundation entered into an office premises 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:

2015	12,550
2016	12,850
2017	13,150
2018	2,200
	$ 40,750

10. TAX STATUS

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.

11. CHANGE IN ACCOUNTING POLICY

Effective October 1, 2014 the Foundation changed their policy for recognizing interest, dividends and capital gains to now report amounts net of investment management fees. This change has been applied prospectively as investment fees incurred prior to the transition date will not be charged back to the various Community Funds.

RED DEER & DISTRICT COMMUNITY FOUNDATION
SCHEDULE 1 - PROGRAM ALLOCATION
YEAR ENDED DECEMBER 31, 2014
(unaudited)

	GENERAL OPERATIONS	ENDING HOMELESSNESS	WOMEN OF EXCELLENCE	TOTAL 2014
REVENUES:				
Donations and sponsorships	$ 8,159	$ 48,139	$ 62,936	$ 119,234
Fund administrative fees	169,937	-	-	169,937
	178,096	48,139	62,936	289,171
OPERATING EXPENSES				
Wages and contracts	131,144	3,274	-	134,418
Programs	-	40,000	25,587	65,587
Investment management fees	46,591	-	-	46,591
Professional fees	15,502	348	-	15,850
Office	13,602	1,702	145	15,449
Rent	13,986	1,170	-	15,156
Conferences and meetings	4,701	206	-	4,907
Insurance	4,351	555	-	4,906
Membership fees	3,622	-	90	3,712
Advertising	1,391	884	-	2,275
Amortization	2,004	-	-	2,004
Bank charges	1,698	-	-	1,698
Interest on leasehold improvements loan	394	-	-	394
	238,986	48,139	25,822	312,947
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	$ (60,890)	$ -	$ 37,114	$ (23,776)

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