

**RED DEER & DISTRICT
COMMUNITY FOUNDATION**

Independent Auditor's Report
and Financial Statements

December 31, 2017

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, 2017 and the statements of operations, 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, 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.

Collins Barrow Red Deer LLP

Red Deer County, Alberta
June 14, 2018

Chartered Professional Accountants

**Red Deer and District Community Foundation
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December 31, 2017**

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

For the year ended December 31, 2017 with
comparative figures for December 31, 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT		
Cash	\$ 182,868	\$ 183,429
Accrued interest receivable	5,366	4,001
Donations and grants receivable (note 3)	40,000	50,000
Goods and Services Tax receivable	1,936	2,465
Prepaid and deposits	9,885	8,862
	<hr/>	<hr/>
	240,055	248,757
RESTRICTED CASH (note 4)	550,000	-
INVESTMENTS (note 5)	13,806,429	12,618,717
CAPITAL ASSETS (note 6)	11,368	13,374
LONG TERM PORTION OF GRANTS RECEIVABLE (note 3)	30,000	70,000
	<hr/>	<hr/>
	<u>\$ 14,637,852</u>	<u>\$ 12,950,848</u>
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accruals	\$ 7,827	\$ 9,754
Deferred revenue (note 7)	43,000	68,801
Current portion of leasehold improvements loan (note 8)	565	2,194
	<hr/>	<hr/>
	51,392	80,749
LEASEHOLD IMPROVEMENTS LOAN (note 8)	-	567
LONG TERM PORTION OF DEFERRED REVENUE (note 7)	30,000	70,000
DEFERRED CAPITAL GRANT (note 9)	11,035	11,035
	<hr/>	<hr/>
	92,427	162,351
<u>FUND BALANCES</u>		
SMART & CARING COMMUNITIES FUND	3,185,280	3,028,570
DESIGNATED ENDOWMENT FUNDS	5,842,375	4,968,682
OPERATING ENDOWMENT FUND	1,585,800	1,434,415
FIELD OF INTEREST FUNDS	1,526,517	1,417,614
DONOR ADVISED FUNDS	681,427	504,423
FLOW-THROUGH FUNDS	237,352	230,015
MANAGED FUNDS	1,491,196	1,262,320
	<hr/>	<hr/>
	14,549,947	12,846,039
OPERATING DEFICIT	(4,522)	(57,542)
	<hr/>	<hr/>
	14,545,425	12,788,497
	<hr/>	<hr/>
	<u>\$ 14,637,852</u>	<u>\$ 12,950,848</u>

Approved by the Board:


Chairperson


Treasurer

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

For the year ended December 31, 2017 with
comparative figures for December 31, 2016

	<u>2017</u>	<u>2016</u>
REVENUES:		
Interest, dividends and capital gains	\$ 778,594	\$ 218,414
Fund administrative fees	195,440	182,875
Sponsorships	106,593	43,619
Operating endowment revenue	31,131	11,750
Donations	63,413	2,842
Amortization of deferred capital grant	5,040	2,738
	1,180,211	462,238
Less revenue allocated to Community Funds	778,594	218,414
	401,617	243,824
OPERATIONS EXPENSES:		
Wages and contracts	177,870	128,577
Programs	42,856	24,496
Professional fees	25,214	29,072
Rent	18,478	18,087
Office	16,454	13,941
Conferences and meetings	7,316	1,913
Amortization	7,045	4,742
Insurance	5,202	5,092
Membership fees	3,962	3,820
Advertising	2,806	2,299
Bank charges	1,307	1,323
Interest on leasehold improvements loan	87	195
	308,597	233,557
EXCESS OF REVENUES OVER EXPENSES	\$ 93,020	10,267

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

For the year ended December 31, 2017 with comparative figures for December 31, 2016

	OPERATING DEFICIT	SMART & CARING COMMUNITIES	DESIGNATED & OPERATING	FIELD OF INTEREST	DONOR ADVISED	FLOW THROUGH	MANAGED	TOTAL 2017	TOTAL 2016
BALANCE, BEGINNING OF YEAR	\$ (57,542)	\$ 3,028,570	\$ 6,403,097	\$ 1,417,614	\$ 504,423	\$ 230,015	\$ 1,262,320	\$ 12,788,497	\$ 12,796,086
Interest, dividends and capital gains	-	199,450	423,943	94,373	34,999	-	25,829	778,594	218,414
Distributions	-	(101,299)	(243,138)	(40,094)	(4,735)	(136,020)	-	(525,287)	(506,437)
Allocation of operating costs	-	(53,498)	(88,299)	(22,609)	(8,455)	(3,982)	(17,867)	(194,710)	(180,151)
Net change in unrealized gains (losses) in investments	-	105,461	247,667	50,809	24,145	-	11,848	439,931	75,977
Contributions received (withdrawn) - net	-	6,596	644,905	26,424	131,050	147,339	209,066	1,165,380	374,341
Excess of revenues over expenses	93,020	-	-	-	-	-	-	93,020	10,267
Transfers in (out)	(40,000)	-	40,000	-	-	-	-	-	-
BALANCE, END OF YEAR	\$ (4,522)	\$ 3,185,280	\$ 7,428,175	\$ 1,526,517	\$ 681,427	\$ 237,352	\$ 1,491,196	\$ 14,545,425	\$ 12,788,497

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

For the year ended December 31, 2017 with
comparative figures for December 31, 2016

	<u>2017</u>	<u>2016</u>
OPERATING		
Cash receipts from contributors and grants	\$ 150,270	\$ 96,723
Cash paid to suppliers and employees	(304,553)	(225,949)
Fund received from contributors	727,822	423,823
Disbursements paid to recipients	<u>(557,722)</u>	<u>(575,986)</u>
	15,817	(281,389)
INVESTING		
Capital additions	(5,040)	(13,773)
Receipt of capital grant	-	14,934
Contributions to investment funds	(255,812)	(903,831)
Withdrawal of investment funds	<u>246,669</u>	<u>473,693</u>
	(14,183)	(428,976)
FINANCING		
Repayment on leasehold improvements loan	<u>(2,195)</u>	<u>(2,087)</u>
	(2,195)	(2,087)
INCREASE (DECREASE) IN CASH	(561)	(712,453)
CASH, BEGINNING OF YEAR	<u>183,429</u>	<u>895,882</u>
CASH, END OF YEAR	<u>\$ 182,868</u>	<u>\$ 183,429</u>

During the year, contributions of shares were received in the amount of \$509,994 (2016 - \$20,960). 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, 2017**

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, 2017**

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 – cash equivalents exclude amounts externally or internally restricted to fund balances. Restricted cash is excluded from 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 in 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, 2017**

3. DONATIONS AND GRANTS RECEIVABLE

During the previous 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 in 2016 and \$14,567 was spent in 2017. In 2017 \$50,000 was received and spent for the Grants Coordinator.

The remaining amount relates to the Grants Coordinator and Administration position and is receivable as follows:

2018	40,000
2019	29,900
2021	<u>100</u>
	<u>\$ 70,000</u>

4. RESTRICTED CASH

Included in cash is \$550,000 that has been externally restricted as an endowment, but had not been moved to the investment account before year-end.

5. INVESTMENTS

	<u>2017</u>	<u>2016</u>
Cash and short term notes	\$ 527,391	\$ 660,468
Bonds and debentures	5,170,222	5,010,547
Canadian securities	2,305,739	2,018,305
Foreign securities	<u>5,803,077</u>	<u>4,929,397</u>
Market value	<u>\$ 13,806,429</u>	<u>\$ 12,618,717</u>

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 March 2018 to June 2045.

The total accumulated unrealized gain at December 31, 2017 was \$519,922 (2016 - \$79,993).

6. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2017 Net</u>	<u>2016 Net</u>
Leasehold improvements	\$ 10,021	\$ 9,688	\$ 333	\$ 2,339
Computer software	13,440	4,158	9,282	7,140
Computer hardware	<u>5,373</u>	<u>3,620</u>	<u>1,753</u>	<u>3,895</u>
	<u>\$ 28,957</u>	<u>\$ 17,484</u>	<u>\$ 11,368</u>	<u>\$ 13,374</u>

**RED DEER & DISTRICT COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

7. 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.

	<u>2017</u>	<u>2016</u>
Women of excellence sponsorship	\$ 3,000	\$ 7,500
Anonymous donor	<u>70,000</u>	<u>131,301</u>
	\$ 73,000	\$ 138,801
Current portion	<u>43,000</u>	<u>68,801</u>
	<u>\$ 30,000</u>	<u>\$ 70,000</u>

8. 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 \$333.

	<u>2017</u>	<u>2016</u>
	\$ 565	\$ 2,761
Current portion	<u>565</u>	<u>2,194</u>
	<u>\$ -</u>	<u>\$ 567</u>

The estimated principal repayments in 2018 are as follows:

2018	<u>\$ 565</u>
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9. 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:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$11,035	\$ -
Addition	5,040	13,773
Less amounts amortized to revenue	<u>(5,040)</u>	<u>(2,738)</u>
Balance, end of year	<u>\$11,035</u>	<u>\$11,035</u>

**RED DEER & DISTRICT COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

10. FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash, restricted 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.

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:

2018	\$ <u>2,200</u>
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The Foundation Entered into an office premise lease effective February 2018 due to expire January of 2023. Under the terms of the new operating lease, the Foundation is committed to the following minimum payments per year:

2018	\$18,104
2019	19,750
2020	20,935
2021	20,935
2022	20,935
2023	<u>1,745</u>
	<u>\$ 102,404</u>

RED DEER & DISTRICT COMMUNITY FOUNDATION
SCHEDULE 1 - PROGRAM ALLOCATION
YEAR ENDED DECEMBER 31, 2017
(unaudited)

	GENERAL OPERATIONS	TECHNOLOGY & CAPACITY BUILDING	WOMEN OF EXCELLENCE	TOTAL 2017
REVENUES:				
Donations, operating endowment and sponsorships	\$ 99,584	\$ 56,261	\$ 50,332	\$ 206,177
Fund administrative fees	195,440	-	-	195,440
	<u>295,024</u>	<u>56,261</u>	<u>50,332</u>	<u>401,617</u>
OPERATING EXPENSES				
Wages and contracts	122,074	55,796	-	177,870
Programs	-	5,093	37,763	42,856
Rent	18,478	-	-	18,478
Professional fees	25,214	-	-	25,214
Office	16,454	-	-	16,454
Amortization	7,045	-	-	7,045
Conferences and meetings	7,316	-	-	7,316
Advertising	2,806	-	-	2,806
Insurance	5,202	-	-	5,202
Membership fees	3,962	-	-	3,962
Bank charges	1,307	-	-	1,307
Interest on Leasehold	87	-	-	87
	<u>209,945</u>	<u>60,889</u>	<u>37,763</u>	<u>308,597</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	<u>\$ 85,079</u>	<u>\$ (4,628)</u>	<u>\$ 12,569</u>	<u>\$ 93,020</u>