

**RED DEER & DISTRICT
COMMUNITY FOUNDATION**

Independent Auditor's Report
and Financial Statements

December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Directors of the Red Deer & District Community Foundation

Opinion

We have audited the financial statements of the Red Deer & District Community Foundation ("the Foundation"), which comprise the statement of financial position as at December 31, 2018 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, and results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Red Deer & District Community Foundation for the year ended December 31, 2017, were audited by another public accounting firm who expressed an unmodified opinion on those statements on June 14, 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but

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auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Red Deer County, Alberta

June 4, 2019

RSM Alberta LLP

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, 2018 with
corresponding figures for December 31, 2017

ASSETS	2018	2017
CURRENT		
Cash	\$ 139,470	\$ 182,868
Other accounts receivable	1,730	-
Accrued interest receivable	4,870	5,366
Donations and grants receivable (note 3)	30,000	40,000
Goods and Services Tax receivable	4,956	1,936
Prepaid and deposits	23,358	9,885
	204,384	240,055
RESTRICTED CASH	-	550,000
INVESTMENTS (note 4)	14,348,982	13,806,429
CAPITAL ASSETS (note 5)	6,726	11,368
LONG TERM PORTION OF GRANTS RECEIVABLE (note 3)	-	30,000
	\$ 14,560,092	\$ 14,637,852
LIABILITIES		
CURRENT		
Accounts payable and accruals	\$ 7,500	\$ 7,827
Deferred revenue (note 6)	45,567	43,000
Current portion of leasehold improvements loan	-	565
	53,067	51,392
LONG TERM PORTION OF DEFERRED REVENUE (note 6)	-	30,000
DEFERRED CAPITAL GRANT (note 7)	6,726	11,035
	59,793	92,427
FUND BALANCES		
SMART & CARING COMMUNITIES FUND	3,039,724	3,185,280
DESIGNATED ENDOWMENT FUNDS	5,664,219	5,842,375
OPERATING ENDOWMENT FUND	1,528,208	1,585,800
FIELD OF INTEREST FUNDS	1,511,995	1,526,517
DONOR ADVISED FUNDS	872,346	681,427
FLOW-THROUGH FUNDS	251,489	237,352
MANAGED FUNDS	1,594,368	1,491,196
	14,462,349	14,549,947
OPERATING SURPLUS (DEFICIT)	37,950	(4,522)
	14,500,299	14,545,425
	\$ 14,560,092	\$ 14,637,852

Approved by the Board:


Chairperson


Treasurer

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

For the year ended December 31, 2018 with
corresponding figures for December 31, 2017

	<u>2018</u>	<u>2017</u>
REVENUES:		
Interest, dividends and capital gains	\$ 995,787	\$ 778,594
Fund administrative fees	205,526	195,440
Sponsorships	179,982	106,593
Operating endowment revenue	50,369	31,131
Donations	46,736	63,413
Amortization of deferred capital grant	4,309	5,040
	<u>1,482,709</u>	<u>1,180,211</u>
Less revenue allocated to Community Funds	<u>995,787</u>	<u>778,594</u>
	<u>486,922</u>	<u>401,617</u>
OPERATIONS EXPENSES:		
Wages and contracts	190,212	177,870
Programs	153,917	42,856
Professional fees	35,601	25,214
Rent	22,556	18,478
Office	18,598	16,454
Conferences and meetings	6,862	7,316
Insurance	5,020	5,202
Amortization	4,643	7,045
Membership fees	4,003	3,962
Advertising	1,806	2,806
Bank charges	1,227	1,307
Interest on leasehold improvements loan	5	87
	<u>444,450</u>	<u>308,597</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 42,472</u>	<u>\$ 93,020</u>

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

For the year ended December 31, 2018 with corresponding figures for December 31, 2017

	OPERATING SURPLUS (DEFICIT)	SMART & CARING COMMUNITIES	DESIGNATED & OPERATING	FIELD OF INTEREST	DONOR ADVISED	FLOW THROUGH	MANAGED	TOTAL 2018	TOTAL 2017
BALANCE, BEGINNING 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
Interest, dividends and capital gains	-	235,095	550,800	112,492	54,964	1,149	41,287	995,787	778,594
Distributions	-	(98,615)	(197,813)	(44,987)	(18,112)	(111,038)	-	(470,555)	(525,287)
Allocation of operating costs	-	(69,376)	(133,294)	(8,038)	(15,289)	(3,680)	(30,565)	(260,242)	(194,710)
Net change in unrealized gains (losses) in investments	-	(212,660)	(502,011)	(102,996)	(67,275)	-	(27,550)	(912,492)	439,931
Contributions received (withdrawn) - net	-	-	46,570	29,007	236,631	127,706	120,000	559,914	1,165,380
Excess of revenues over expenses	42,472	-	-	-	-	-	-	42,472	93,020
BALANCE, END OF YEAR	\$ 37,950	\$ 3,039,724	\$ 7,192,427	\$ 1,511,995	\$ 872,346	\$ 251,489	\$ 1,594,368	\$ 14,500,299	\$ 14,545,425



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

For the year ended December 31, 2018 with
corresponding figures for December 31, 2017

	<u>2018</u>	<u>2017</u>
OPERATING		
Cash receipts from sponsorships, donations, grants and other	\$ 187,841	\$ 150,270
Cash paid to suppliers and employees	(351,909)	(304,553)
Fund received from contributors	533,688	727,822
Disbursements paid to recipients	<u>(470,662)</u>	<u>(557,722)</u>
	(101,042)	15,817
INVESTING		
Capital additions	-	(5,040)
Receipt of capital grant	-	-
Contributions to investment funds	(140,735)	(255,812)
Withdrawal of investment funds	<u>198,945</u>	<u>246,669</u>
	58,210	(14,183)
FINANCING		
Repayment on leasehold improvements loan	<u>(566)</u>	<u>(2,195)</u>
	(566)	(2,195)
INCREASE (DECREASE) IN CASH	(43,398)	(561)
CASH, BEGINNING OF YEAR	<u>182,868</u>	<u>183,429</u>
CASH, END OF YEAR	<u>\$ 139,470</u>	<u>\$ 182,868</u>

During the year, contributions of shares were received in the amount of \$49,008 (2017 - \$509,994). The Foundation also recognized gift-in-kind revenue and expenses of \$101,698 (2017 - nil). These have been excluded from the statement of cash flows as they are non-cash transactions.

**RED DEER & DISTRICT COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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. Significant areas requiring the use of estimates include the fair value estimate of goods received.

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, 2018**

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 include cash on deposit and temporary bank overdrafts that form an integral part of the company’s cash management. 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.

Contributed Goods – Recorded in the financial statements based of their estimated fair market value at the time of donation. Contributed goods where the fair value cannot be reasonably estimated are not recorded in the financial records due to the difficulties in determining their fair value. Current year contributed goods with a value of \$101,698, consisted of items donated for the Women of Excellence Gala.

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, 2018**

3. DONATIONS AND GRANTS RECEIVABLE

In 2016, 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, \$14,567 was spent in 2017 and \$4,085 was spent in 2018. For the Grants Coordinator position, \$50,000 was received in 2017 and \$40,000 in 2018.

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

2019	<u>\$ 30,000</u>
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4. INVESTMENTS

	<u>2018</u>	<u>2017</u>
Cash and short term notes	\$ 1,216,899	\$ 527,391
Bonds and debentures	5,562,856	5,170,222
Canadian securities	2,032,861	2,305,739
Foreign securities	<u>5,536,366</u>	<u>5,803,077</u>
Market value	<u>\$ 14,348,982</u>	<u>\$ 13,806,429</u>

Included in short term notes and bonds and debentures are bonds with interest rates ranging from 1.00% to 6.50% and maturity dates ranging from January 2019 to December 2048. Bonds with maturity dates in the next year are disclosed as long term assets as the intention is to reinvest for greater than one year.

The total accumulated unrealized loss at December 31, 2018 was \$392,570 (2017 – gain \$519,922).

5. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2018 Net</u>	<u>2017 Net</u>
Leasehold improvements	\$ 10,021	\$ 10,021	\$ -	\$ 333
Computer software	13,440	6,714	6,726	9,282
Computer hardware	<u>5,373</u>	<u>5,373</u>	<u>-</u>	<u>1,753</u>
	<u>\$ 28,834</u>	<u>\$ 22,108</u>	<u>\$ 6,726</u>	<u>\$ 11,368</u>

**RED DEER & DISTRICT COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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.

	<u>2018</u>	<u>2017</u>
Women of excellence sponsorship	\$ 15,567	\$ 3,000
Anonymous donor	<u>30,000</u>	<u>70,000</u>
	\$ 45,567	\$ 73,000
Current portion	<u>45,567</u>	<u>43,000</u>
	<u>\$ -</u>	<u>\$ 30,000</u>

7. 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>2018</u>	<u>2017</u>
Balance, beginning of year	\$11,035	\$ 11,035
Addition	-	5,040
Less amounts amortized to revenue	<u>(4,039)</u>	<u>(5,040)</u>
Balance, end of year	<u>\$ 6,726</u>	<u>\$11,035</u>

8. FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash, other accounts receivable, accrued interest receivable, donations and grants receivable, investments and accounts payable and accruals. 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.

**RED DEER & DISTRICT COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

9. COMMITMENTS

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:

2019	19,750
2020	20,935
2021	20,935
2022	20,935
2023	<u>1,745</u>
	<u>\$ 84,300</u>

10. CHANGE IN ACCOUNTING POLICY

At January 1, 2018, the foundation changed its accounting policy to recognize contributed goods where their fair market value can be estimated at the same time of donation. This change in accounting policy has been applied retrospectively with no adjustment to the comparative balances as meaningful estimates of the fair value of contributed goods and services are not available.

11. COMPARATIVE AMOUNTS

The presentation of certain accounts 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, 2018
(unaudited)

	GENERAL OPERATIONS	TECHNOLOGY & CAPACITY BUILDING	WOMEN OF EXCELLENCE	TOTAL 2018
REVENUES:				
Donations and sponsorships	\$ 57,105	\$ 44,309	\$ 179,982	\$ 281,396
Fund administrative fees	205,526	-	-	205,526
	<u>262,631</u>	<u>44,309</u>	<u>179,982</u>	<u>486,922</u>
OPERATING EXPENSES:				
Wages and contracts	150,212	40,000	-	190,212
Programs	-	-	153,917	153,917
Professional fees	35,601	-	-	35,601
Rent	22,556	-	-	22,556
Office	18,598	-	-	18,598
Conferences and meetings	6,862	-	-	6,862
Insurance	5,020	-	-	5,020
Amortization	334	4,309	-	4,643
Membership fees	4,003	-	-	4,003
Advertising	1,806	-	-	1,806
Bank charges	1,227	-	-	1,227
Interest on Leasehold	5	-	-	5
	<u>246,224</u>	<u>44,309</u>	<u>153,917</u>	<u>444,450</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 16,407</u>	<u>\$ -</u>	<u>\$ 26,065</u>	<u>\$ 42,472</u>

