

RED DEER & DISTRICT COMMUNITY FOUNDATION



Independent Auditor's Report and
Financial Statements

December 31, 2019



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Red Deer & District Community Foundation

Opinion

We have audited the financial statements of Red Deer & District Community Foundation ("the Foundation") which comprise the statement of financial position as at December 31, 2019, and the statements of changes in fund balances, general operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2019, 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.

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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 10 of the financial statements, which describes uncertainty related to the financial impact of the COVID-19 pandemic.

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.

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INDEPENDENT AUDITOR'S REPORT, continued

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 is not a guarantee that an audit conducted in accordance with Canadian Generally Accepted 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.

INDEPENDENT AUDITOR'S REPORT, continued

- 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 10, 2020

RSM Alberta LLP

Chartered Professional Accountants

RED DEER & DISTRICT COMMUNITY FOUNDATION

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RED DEER & DISTRICT COMMUNITY FOUNDATION

Statement of Financial Position

As at December 31, 2019

	2019	2018
ASSETS		
Current assets		
Cash	\$ 200,412	\$ 139,470
Accrued interest receivable	5,121	4,870
Donations and grants receivable	-	31,730
Goods and Services Tax receivable	2,186	4,956
Prepaid expenses	6,463	23,358
	<u>214,182</u>	<u>204,384</u>
Investments (note 3)	16,297,024	14,348,982
Capital assets (note 4)	<u>4,935</u>	<u>6,726</u>
	<u>\$ 16,516,141</u>	<u>\$ 14,560,092</u>
LIABILITIES		
Current liabilities		
Accounts payable and accruals	\$ 8,501	\$ 7,500
Deferred revenue (note 5)	<u>3,000</u>	<u>45,567</u>
	11,501	53,067
Deferred capital grant (note 6)	<u>4,935</u>	<u>6,726</u>
	<u>16,436</u>	<u>59,793</u>
FUND BALANCES		
Smart and Caring Communities funds	3,382,771	3,039,724
Designated Endowment funds	6,422,174	5,664,219
Operating Endowment funds	1,709,156	1,528,208
Field of Interest funds	1,717,797	1,511,995
Donor Advised funds	1,052,559	872,346
Flow Through funds	325,989	251,489
Managed funds	1,764,575	1,594,368
General fund	<u>124,684</u>	<u>37,950</u>
	<u>16,499,705</u>	<u>14,500,299</u>
	<u>\$ 16,516,141</u>	<u>\$ 14,560,092</u>

Approved by the board:

_____ Board Chair
_____ Treasurer

RED DEER & DISTRICT COMMUNITY FOUNDATION

Statement of Changes in Fund Balances
Year ended December 31, 2019

	Balance, beginning of year	Interest, dividends and capital gains	Distributions	Allocation of operating costs	Net change in unrealized gains (losses) in investments	Net contributions received (withdrawn)	Excess of revenues over expenses	2019 Balance, end of year
General fund	\$ 37,950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,734	\$ 124,684
Designated	5,664,219	357,248	(177,244)	(122,252)	588,995	111,208	-	6,422,174
Smart & Caring Communities	3,039,724	183,636	(86,630)	(71,070)	317,111	-	-	3,382,771
Managed	1,594,368	57,869	(2,598)	(34,030)	98,966	50,000	-	1,764,575
Operating Endowment	1,528,208	92,432	(52,247)	(18,460)	159,223	-	-	1,709,156
Field of Interest	1,511,995	72,803	(44,695)	(1,982)	156,562	23,114	-	1,717,797
Donor Advised	872,346	55,591	(19,806)	(20,648)	92,538	72,538	-	1,052,559
Flow Through	251,489	-	(804,460)	(16,216)	-	895,176	-	325,989
Total 2019	\$ 14,500,299	\$ 819,579	\$ (1,187,680)	\$ (284,658)	\$ 1,413,395	\$ 1,152,036	\$ 86,734	\$ 16,499,705
Total 2018	14,545,425	995,787	(470,565)	(260,242)	(912,492)	559,914	42,472	14,500,299



RED DEER & DISTRICT COMMUNITY FOUNDATION
Statement of General Operations
Year ended December 31, 2019

	2019	2018
Revenues		
Fund administrative fees	\$ 232,421	\$ 205,526
Women of Excellence	209,385	179,982
Operating endowment revenue	53,222	50,369
Donations	41,008	46,736
Amortization of deferred capital grant	1,791	4,309
	<u>537,825</u>	<u>486,922</u>
Expenses		
Wages and benefits	191,603	190,212
Women of Excellence	158,992	153,917
Professional fees	39,913	35,601
Rent	23,908	22,556
Office	14,484	18,598
Insurance	5,207	5,020
Conferences and meetings	4,635	6,862
Advertising	4,629	1,806
Membership fees	4,509	4,003
Amortization	1,791	4,643
Bank charges	1,420	1,227
Interest on leasehold improvements loan	-	5
	<u>451,091</u>	<u>444,450</u>
Excess of revenues over expenses	<u>\$ 86,734</u>	<u>\$ 42,472</u>

RED DEER & DISTRICT COMMUNITY FOUNDATION

Statement of Cash Flows

Year ended December 31, 2019

	2019	2018
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from sponsorships, donations, grants and other	\$ 182,771	\$ 187,841
Cash paid to suppliers and employees	(321,230)	(351,909)
Fund received from contributors	498,338	533,688
Disbursements paid to recipients	(1,187,680)	(470,662)
	<u>(827,801)</u>	<u>(101,042)</u>
Investing activities		
Contributions to investment funds	-	(140,735)
Withdrawal of investment funds	888,743	198,945
	<u>888,743</u>	<u>58,210</u>
Financing activity		
Repayment on leasehold improvements loan	-	(566)
	<u>60,942</u>	<u>(43,398)</u>
Increase (decrease) in cash	60,942	(43,398)
Cash, beginning of year	139,470	182,868
Cash, end of year	<u>\$ 200,412</u>	<u>\$ 139,470</u>

During the year, contributions of shares were received in the amount of \$653,698 (2018 - \$49,008). The Foundation also recognized gift-in-kind revenue and expenses of \$110,176 (2018 - \$101,698). 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

December 31, 2019

1. Objective of the Foundation

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 charitable organization under Section 149(1)(f) of the Income Tax Act and, accordingly, is exempt from income taxes. The Foundation may issue tax-deductible receipts to donors.

2. Significant Accounting Policies

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for non-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of estimates include the fair value estimate of goods received. Actual results may differ from management's best estimates as additional information becomes available in the future.

RED DEER & DISTRICT COMMUNITY FOUNDATION
Notes to the Financial Statements
December 31, 2019

2. Significant Accounting Policies, continued

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. 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 Changes in 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 (h) 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 Funds - a donor may specify that a donation shall be restricted for a specified purpose as defined by the donor. These funds are defined as designated and the income earned on these funds, except as noted in (h) 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.

c) Operating Funds - the donors of the funds within this category have specified that these funds be specifically designated for the operations of the Foundation.

d) 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 (h) 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.

e) 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 the 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 (h) 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.

f) 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

2. Significant Accounting Policies, continued

must occur in compliance with Canada Revenue Agency regulations.

g) 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 solely 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.

h) 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 and cash equivalents include cash on deposit and temporary bank overdrafts that form an integral part of the Foundation'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

Contributed goods are recorded in the financial statements based on their estimated fair market value at the time of donation. Where the fair value cannot be reasonably estimated, contributed goods are not recorded in the financial records due to the difficulties in determining their fair value. Current year contributed goods with a value of \$110,176 (2018 - \$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.

2. Significant Accounting Policies, continued

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 useful lives on a declining balance basis. The annual amortization rates are as follows:

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

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 as direct increases to specific fund balances 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
December 31, 2019

3. Investments

	<u>2019</u>	<u>2018</u>
Cash and short-term notes	\$ 1,061,171	\$ 1,216,899
Bonds and debentures	5,875,279	5,562,856
Canadian securities	2,578,114	2,032,861
Foreign securities	6,782,460	5,536,366
	<u>\$ 16,297,024</u>	<u>\$ 14,348,982</u>

Included in short-term notes and bonds and debentures are bonds with interest rates ranging from 1.00% to 7.56% and maturity dates ranging from March 2021 to December 2051.

The total accumulated unrealized gain at December 31, 2019 was \$20,139 (2018 \$392,570 loss).

4. Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net</u>	<u>2018 Net</u>
Computer software	\$ 13,440	\$ 8,505	\$ 4,935	\$ 6,726
Leasehold improvements	10,021	10,021	-	-
Computer equipment	5,373	5,373	-	-
	<u>\$ 28,834</u>	<u>\$ 23,899</u>	<u>\$ 4,935</u>	<u>\$ 6,726</u>

5. Deferred Revenue

	<u>Balance, beginning of year</u>	<u>Received</u>	<u>Recognized</u>	<u>Balance, end of year</u>
Women of Excellence sponsorship	\$ 15,567	\$ 3,000	\$ (15,567)	\$ 3,000
Anonymous donor	30,000	-	(30,000)	-
	<u>\$ 45,567</u>	<u>\$ 3,000</u>	<u>\$ (45,567)</u>	<u>\$ 3,000</u>

RED DEER & DISTRICT COMMUNITY FOUNDATION
Notes to the Financial Statements
December 31, 2019

6. 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 required. The changes in the deferred contributions balance for the year are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 6,726	\$ 11,035
Less amounts amortized to revenue	<u>(1,791)</u>	<u>(4,309)</u>
Balance, end of year	<u>\$ 4,935</u>	<u>\$ 6,726</u>

7. Commitments

The Foundation entered into an office premise lease effective February 2018 due to expire January 2023. Under the terms of the operating lease, the Foundation is committed to the following minimum payments per year:

2020	\$ 20,935
2021	20,935
2022	20,935
2023	<u>1,745</u>
	<u>\$ 64,550</u>

8. Financial Instruments

The Foundation's financial instruments consist of cash, 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 risk 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 accounts receivable risk the Foundation only records amounts receivable from reputable donors where agreements are in place to receive the funds. To mitigate the financial instrument risk, the Foundation obtains investment advice from qualified investment advisors to select appropriate issuers.

Market 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 risk

The Foundation is exposed to interest rate price risk as certain investments bear interest at fixed interest rates.

9. Comparative Figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2019 financial statements.

RED DEER & DISTRICT COMMUNITY FOUNDATION

Notes to the Financial Statements

December 31, 2019

10. Subsequent Events

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. In Canada, the Government of Alberta declared a provincial state of public health emergency as per the Province of Alberta's Public Health Act on March 17, 2020 with respect to COVID-19. As of the date of these financial statements, the market value of the entity's investments have been effected as a result of the global financial markets experiencing significant losses in response to the worldwide spread of COVID-19 from the first quarter of 2020 to the date of this financial statement. The value of the Foundation's main pool investments as at April 30, 2020 has decreased 8% compared to the balance as at December 31, 2019. The Foundation will continue to diversify their portfolio through their investment broker in order to manage the losses and capitalize on a low market conditions.

The operations of the Foundation have continued, although they are closed to the public and working remotely. They are actively monitoring revenue and expenses to ensure they can continue to meet obligations. Additionally, the 2020 Women of Excellence Gala has shifted from an in-person event to an online event in order to comply with government regulations regarding indoor events. As a result, both revenue and expenses will be down compared to the prior year gala, however revenue is expected to cover all expenses.

The extent to which COVID-19 impacts the Foundation's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain this or its impact, among others.