

RED DEER & DISTRICT COMMUNITY FOUNDATION



Independent Auditor's Report and
Financial Statements

December 31, 2020



RSM Alberta LLP
546 Laura Ave
Red Deer County, AB T4E 0A5
T +1403 342 5541
F +1403 347 3766

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 ("Foundation"), which comprise the statement of financial position as at December 31, 2020, 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, 2020, 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.

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 Generally Accepted Auditing Standards, 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.

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

April 21, 2021

RSM Alberta LLP

Chartered Professional Accountants

RED DEER & DISTRICT COMMUNITY FOUNDATION

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December 31, 2020

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RED DEER & DISTRICT COMMUNITY FOUNDATION
Statement of Changes in Fund Balances
Year ended December 31, 2020

| | Balance, beginning of year | Interest, dividends and capital gains | Distributions | Allocation of operating costs | Net change in unrealized gains in investments | Net contributions received | Excess of revenues over expenses | 2020 Balance, end of year |
|------------------------------------|----------------------------------|--|-----------------------|-------------------------------------|--|----------------------------------|---|---------------------------------|
| General | \$ 124,684 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 160,401 | \$ 285,085 |
| Designated Endowment | 6,422,174 | 487,039 | (165,603) | (128,821) | 252,266 | 72,708 | - | 6,939,763 |
| Smart and Caring Communities | 3,382,771 | 253,438 | (122,135) | (73,004) | 128,771 | - | - | 3,569,841 |
| Field of Interest | 1,717,797 | 130,618 | (39,397) | (34,756) | 67,527 | 14,845 | - | 1,856,634 |
| Operating Endowment | 1,709,156 | 129,324 | (44,000) | (19,014) | 67,636 | - | - | 1,843,102 |
| Managed | 1,764,575 | 118,281 | (416,785) | (34,843) | 59,725 | - | - | 1,490,953 |
| Donor Advised | 1,052,559 | 80,668 | (15,180) | (22,313) | 40,072 | 63,053 | - | 1,198,859 |
| Flow Through | 325,989 | - | (85,847) | (4,911) | - | 106,332 | - | 341,563 |
| Total 2020 | \$ 16,499,705 | \$ 1,199,368 | \$ (888,947) | \$ (317,662) | \$ 615,997 | \$ 256,938 | \$ 160,401 | \$ 17,525,800 |
| Total 2019 | \$ 14,500,299 | \$ 819,579 | \$ (1,187,680) | \$ (284,658) | \$ 1,413,395 | \$ 1,152,036 | \$ 86,734 | \$ 16,499,705 |


RED DEER & DISTRICT COMMUNITY FOUNDATION

Statement of Financial Position


As at December 31, 2020

| | 2020 | 2019 |
|------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 345,785 | \$ 200,412 |
| Accrued interest receivable | 3,878 | 5,121 |
| Goods and Services Tax receivable | 2,417 | 2,186 |
| Prepaid expenses | <u>2,000</u> | <u>6,463</u> |
| | 354,080 | 214,182 |
| Investments (note 3) | 17,158,164 | 16,297,024 |
| Tangible capital assets (note 4) | <u>28,262</u> | <u>4,935</u> |
| | <u>\$ 17,540,506</u> | <u>\$ 16,516,141</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accruals | \$ 11,024 | \$ 8,501 |
| Deferred revenue | <u>-</u> | <u>3,000</u> |
| | 11,024 | 11,501 |
| Deferred capital grant (note 5) | <u>3,682</u> | <u>4,935</u> |
| | <u>14,706</u> | <u>16,436</u> |
| NET ASSETS | | |
| Designated Endowment funds | 6,939,763 | 6,422,174 |
| Smart and Caring Communities funds | 3,569,841 | 3,382,771 |
| Field of Interest funds | 1,856,634 | 1,717,797 |
| Operating Endowment funds | 1,843,102 | 1,709,156 |
| Managed funds | 1,490,953 | 1,764,575 |
| Donor Advised funds | 1,198,859 | 1,052,559 |
| Flow Through funds | 341,563 | 325,989 |
| General fund | <u>285,085</u> | <u>124,684</u> |
| | 17,525,800 | 16,499,705 |
| | <u>\$ 17,540,506</u> | <u>\$ 16,516,141</u> |

Approved by the board:



Board Chair



Treasurer

RED DEER & DISTRICT COMMUNITY FOUNDATION

Statement of General Operations

Year ended December 31, 2020

| | 2020 | 2019 |
|---|-------------------|------------------|
| Revenues | | |
| Fund administrative fees | \$ 232,068 | \$ 232,421 |
| Women of Excellence | 106,822 | 209,385 |
| Donations | 63,931 | 41,008 |
| Operating endowment revenue | 44,000 | 53,222 |
| Amortization of deferred capital grant (note 5) | 1,254 | 1,791 |
| | <u>448,075</u> | <u>537,825</u> |
| Expenses | | |
| Wages and benefits | 101,298 | 191,603 |
| Women of Excellence | 79,377 | 158,992 |
| Professional fees | 27,699 | 39,913 |
| Conferences and meetings | 25,097 | 4,635 |
| Rent | 23,244 | 23,908 |
| Office | 13,852 | 14,484 |
| Advertising | 9,308 | 4,629 |
| Membership fees | 4,664 | 4,509 |
| Insurance | 2,910 | 5,207 |
| Amortization | 1,254 | 1,791 |
| Bank charges | 770 | 1,420 |
| | <u>289,473</u> | <u>451,091</u> |
| Excess of revenues over expenses from operations | 158,602 | 86,734 |
| Other income | | |
| Wage subsidy | 1,799 | - |
| Excess of revenues over expenses | \$ 160,401 | \$ 86,734 |

RED DEER & DISTRICT COMMUNITY FOUNDATION

Statement of Cash Flows

Year ended December 31, 2020

| | 2020 | 2019 |
|--|--------------------------|--------------------------|
| CASH PROVIDED BY (USED FOR) | | |
| Operating activities | | |
| Cash receipts from sponsorships, donations, grants and other | \$ 148,549 | \$ 182,771 |
| Cash paid to suppliers and employees | (216,472) | (321,230) |
| Funds received from contributors | 242,681 | 498,338 |
| Disbursements paid to recipients | (888,947) | (1,187,680) |
| | <u>(714,189)</u> | <u>(827,801)</u> |
| Investing activities | | |
| Withdrawal of investment funds | 884,143 | 888,743 |
| Purchase of tangible capital assets | (24,581) | - |
| | <u>859,562</u> | <u>888,743</u> |
| Increase in cash | 145,373 | 60,942 |
| Cash, beginning of year | 200,412 | 139,470 |
| Cash, end of year | <u>\$ 345,785</u> | <u>\$ 200,412</u> |

During the year, contributions of shares were received in the amount of \$14,257 (2019 - \$653,698). The Foundation also recognized gift-in-kind revenue and expenses of \$64,762 (2019 - \$110,176). 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, 2020

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 not-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.

The impact that the ongoing COVID-19 pandemic may have on the Foundation's operations is based on management's best assessment of existing and potential government interventions both at a federal and provincial level which will determine if there is any impact on contributions received. There is also a significant increase in economic uncertainty that could have an impact on the any long term investment interest and return on investment rates. Due to the ongoing changes and development with COVID-19, it is not possible to reliably estimate the length and severity of these developments and the impact of the financial results and conditions of the Foundation in future periods.

RED DEER & DISTRICT COMMUNITY FOUNDATION

Notes to the Financial Statements

December 31, 2020

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 Endowment 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 Endowment 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 the types of activities or projects that shall benefit from these funds. 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

RED DEER & DISTRICT COMMUNITY FOUNDATION

Notes to the Financial Statements

December 31, 2020

2. Significant Accounting Policies, continued

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.

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 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 of 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 \$64,762 (2019 - \$110,176) 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.

RED DEER & DISTRICT COMMUNITY FOUNDATION

Notes to the Financial Statements

December 31, 2020

2. Significant Accounting Policies, continued

Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed tangible 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 tangible 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 tangible capital assets are recognized as revenue as the related tangible capital assets are amortized.

RED DEER & DISTRICT COMMUNITY FOUNDATION

Notes to the Financial Statements

December 31, 2020

3. Investments

| | <u>2020</u> | <u>2019</u> |
|---------------------------|----------------------|----------------------|
| Cash and short-term notes | \$ 907,733 | \$ 1,061,171 |
| Bonds and debentures | 5,923,036 | 5,875,279 |
| Canadian securities | 2,757,895 | 2,578,114 |
| Foreign securities | 7,569,500 | 6,782,460 |
| | <u>\$ 17,158,164</u> | <u>\$ 16,297,024</u> |

Included in short-term notes and bonds and debentures are bonds with interest rates ranging from 1.00% to 6.25% and maturity dates ranging from January 2021 to December 2051.

The total accumulated unrealized gain at December 31, 2020 was \$1,636,825 (2019 - \$1,020,824).

4. Tangible Capital Assets

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>2020 Net</u> | <u>2019 Net</u> |
|------------------------|------------------|-------------------------------------|---------------------|---------------------|
| Computer software | \$ 38,021 | \$ 9,759 | \$ 28,262 | \$ 4,935 |
| Leasehold improvements | 10,021 | 10,021 | - | - |
| Computer equipment | 5,373 | 5,373 | - | - |
| | <u>\$ 53,415</u> | <u>\$ 25,153</u> | <u>\$ 28,262</u> | <u>\$ 4,935</u> |

Included in computer software is an asset of \$24,581 which is not in use at year end and not being amortized.

RED DEER & DISTRICT COMMUNITY FOUNDATION

Notes to the Financial Statements

December 31, 2020

5. Deferred Capital Grant

Unamortized deferred capital grants represent restricted contributions used to purchase tangible 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>2020</u> | <u>2019</u> |
|-----------------------------------|-----------------|-----------------|
| Balance, beginning of year | \$ 4,935 | \$ 6,726 |
| Less amounts amortized to revenue | <u>(1,254)</u> | <u>(1,791)</u> |
| Balance, end of year | <u>\$ 3,682</u> | <u>\$ 4,935</u> |

6. 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:

| | |
|------|------------------|
| 2021 | \$ 20,935 |
| 2022 | 20,935 |
| 2023 | <u>1,745</u> |
| | <u>\$ 43,615</u> |

RED DEER & DISTRICT COMMUNITY FOUNDATION

Notes to the Financial Statements

December 31, 2020

7. Financial Instruments

The Foundation's financial instruments consist of cash, accrued interest 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.