

**COMMUNITY FOUNDATION OF
LETHBRIDGE AND
SOUTHWESTERN ALBERTA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Community Foundation of Lethbridge and Southwestern Alberta

We have audited the accompanying financial statements of the Community Foundation of Lethbridge and Southwestern Alberta, which comprise the statement of financial position as at December 31, 2016, the statements of revenue, expenses and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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, the financial statements present fairly, in all material respects, the financial position of the Community Foundation of Lethbridge and Southwestern Alberta as at December 31, 2016, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants

Lethbridge, Alberta

May 23, 2017

**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA
STATEMENT OF FINANCIAL POSITION**

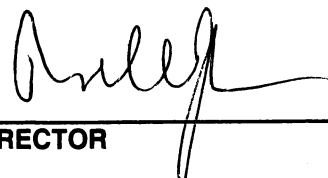
December 31	2016	2015
ASSETS		
Current		
Cash	\$ 186,934	\$ 60,009
Accounts receivable (Note 2)	15,002	46,610
	201,936	106,619
Investments (Note 3)	25,028,642	25,078,273
Capital assets (Note 4)	758,093	764,543
Life insurance policies cash surrender value (Note 5)	272,494	293,090
	\$ 26,261,165	\$ 26,242,525
LIABILITIES		
Current		
Accounts payable (Note 6)	\$ 18,991	\$ 28,143
Grants payable (Note 7)	12,500	-
Deferred contributions	-	5,000
	31,491	33,143
Unamortized capital contributions (Note 8)	44,156	45,295
Managed funds (Note 9)	1,547,762	1,481,224
	1,623,409	1,559,662
NET ASSETS		
Fund balances		
General community fund	12,794,564	12,400,119
Field of interest funds	6,105,478	5,637,276
Designated funds	5,737,714	6,645,468
	24,637,756	24,682,863
	\$ 26,261,165	\$ 26,242,525

Commitments (Note 10)

APPROVED BY THE BOARD:



DIRECTOR



DIRECTOR

The accompanying notes are an integral part of these financial statements.

**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA
STATEMENT OF REVENUE, EXPENSES, AND FUND BALANCES**

For the year ended December 31	2016				2015
	General Community Fund	Field of Interest Funds	Designated Funds	Total	(Note 15) Total
REVENUE					
Contributions	\$ 40,201	\$ 139,864	\$ 371,226	\$ 551,291	\$ 3,306,911
Investment income (Note 11)	469,427	217,859	215,166	902,452	924,030
Capital gains (losses) - realized and unrealized	589,037	273,371	269,990	1,132,398	(222,054)
Change in cash surrender value of life insurance	(20,596)	-	-	(20,596)	13,485
Grants, sponsorships and administrative donations	57,130	-	-	57,130	11,060
Amortization of capital contributions	1,139	-	-	1,139	285
	<u>1,136,338</u>	<u>631,094</u>	<u>856,382</u>	<u>2,623,814</u>	<u>4,033,717</u>
EXPENSES					
Grants	497,975	96,375	1,646,704	2,241,054	723,127
Investment management fee	41,398	19,212	18,975	79,585	82,883
Operating expenses (Schedule)	225,454	56,373	66,455	348,282	374,232
	<u>764,827</u>	<u>171,960</u>	<u>1,732,134</u>	<u>2,668,921</u>	<u>1,180,242</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	371,511	459,134	(875,752)	(45,107)	2,853,475
FUND BALANCE , beginning of year	12,400,119	5,637,276	6,645,468	24,682,863	21,829,388
FUND TRANSFERS (Note 12)	22,934	9,068	(32,002)	-	-
FUND BALANCE , end of year	<u>\$ 12,794,564</u>	<u>\$ 6,105,478</u>	<u>\$ 5,737,714</u>	<u>\$ 24,637,756</u>	<u>\$ 24,682,863</u>

The accompanying notes are an integral part of these financial statements.

**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA
STATEMENT OF CASH FLOWS**

For the year ended December 31	2016	2015
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Excess (deficiency) of revenue over expenses	\$ (45,107)	\$ 2,853,475
Items not involving cash		
Amortization on capital assets	19,562	4,523
Amortization of capital contributions	(1,139)	-
Realized and unrealized (gains) losses on investments	(1,202,595)	235,914
Decrease (increase) in cash surrender value of life insurance	20,596	(3,385)
	<u>(1,208,683)</u>	<u>3,090,527</u>
Net change in non-cash working capital balances		
Accounts receivable	31,607	(41,825)
Prepaid expenses	-	1,285
Accounts payable	(9,152)	-
Grants payable	12,500	-
Deferred contributions	(5,000)	14,862
	<u>(1,178,728)</u>	<u>3,064,849</u>
INVESTMENTS		
Purchase of capital asset	(13,111)	(689,351)
Capital contribution	-	45,580
Net disposal (purchase) of investments	1,252,226	(2,717,579)
Net change in managed funds	66,538	320,855
	<u>1,305,653</u>	<u>(3,040,495)</u>
INCREASE IN CASH DURING THE YEAR	126,925	24,354
CASH, beginning of year	<u>60,009</u>	<u>35,655</u>
CASH, end of year	<u>\$ 186,934</u>	<u>\$ 60,009</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Purpose of the Organization

The Community Foundation of Lethbridge and Southwestern Alberta (the Foundation) was incorporated without share capital by a special statute of the Legislative Assembly of the Province of Alberta in 1966 and then continued under the Community Foundation of Lethbridge and Southwestern Alberta Act, 2010, Alberta (the "Act"). The purpose of the Foundation is to act as a community leader and catalyst and to be a vehicle to provide a way for donors to improve their community forever. By building and holding a permanent endowment, the income is to be used to meet the changing needs and opportunities across all sectors of southwestern Alberta through grant making and community leadership projects.

The Foundation is a charitable organization registered under the Income Tax Act (Canada) and as such, is exempted from income taxes and able to issue donation receipts for income tax purposes. To maintain its status as a public Foundation registered under the Tax Act, the Foundation must meet certain requirements within the Tax Act. In the opinion of management, these requirements are being met.

b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations. Because certain donors have provided amounts for special purposes, the financial statements have been presented in a manner which segregates the General Community Fund (unrestricted) from Designated Funds and Field of Interest Funds (for special purposes).

General Community Fund income earned is distributed as determined by the Board of Directors.

Designated Funds and Field of Interest Funds represent amounts donated to the Foundation for which the capital is generally intended to be preserved. Grants are made for designated purposes from the income earned.

c) Revenue Recognition

The Foundation follows the restricted fund method of accounting for contributions. Restricted contributions related to operations are recognized as revenue in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund in the period of receipt.

Unrestricted contributions are recognized as revenue in the period of receipt.

Investment income includes dividends and interest income which is recognized when earned. Realized and unrealized gains and losses are recognized at the end of each month, based on fair market value.

Contributions receivable are recognized as an asset when the amounts to be received can be reasonable estimated and ultimate collection reasonably assured.

d) Donations

Donations in kind and amounts contributed are included in contributions.

Amounts received for reimbursement of specific expenses are included as recovered expenses.

e) Cash

Cash includes cash on hand and balances with banks. Cash excludes cash held in investments.

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) **Capital Assets**

Capital assets are recorded at cost less amortization. Amortization is recorded over the estimated useful life of the asset. The building is amortized on straight-line basis over 40 years. Capital assets with a cost of less than \$5,000 are expensed in the year of acquisition.

g) **Financial Instruments**

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

h) **Use of Estimates**

The preparation of financial statements in accordance 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

i) **Funds**

Managed funds are owned by other organizations and are pooled with Foundation assets for investment purposes. Investment income on these managed funds are a direct increase to the fund balance and grants out of this fund are direct decreases to the managed funds.

General Community Fund

Donors indicate that distributions are to be made according to the Foundation's general distribution policies and guidelines, primarily in response to applications received from community agencies.

Field of Interest Funds

Donor agreements indicate the area(s) of special interest for support.

Designated Funds

Donors indicate one or more specific charities for support.

On an annual basis, the Foundation distributes a portion of the market value of each fund and capitalizes growth in excess of the distributions. Generally, this results in a net increase in each fund from year to year. Decreases in endowment funds may occur during the year when distributions exceed the growth for a period. In such cases, the decreases are applied to reduce the cumulative capitalized growth in excess of fund distributions. The Foundation monitors the extent of distributions on an ongoing basis, giving consideration to current and expected investment returns. Restrictions relating to the distributions from endowment and non-endowment funds are as described above.

j) **Contributed Services**

Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. ACCOUNTS RECEIVABLE

Included in accounts receivable is a contribution receivable of \$12,500. This amount is recognized as revenue in the Designated Funds and was collected subsequent to year end.

3. INVESTMENTS

Investments consist of various marketable securities as follows:

	2016	2015
Cash and short term investments	\$ 933,855	\$ 2,608,080
Bonds and fixed income	9,862,135	8,660,829
Canadian equities	5,750,838	6,229,592
Foreign equities	8,481,814	7,579,772
	\$ 25,028,642	\$ 25,078,273

The market value of investments denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the end of the year.

The cost of the investments less cash and short term investments is \$21,349,372 (2015 - \$20,999,684).

4. CAPITAL ASSETS

	2016	2015
Building - cost	\$ 782,462	\$ 769,351
Accumulated amortization	(24,369)	(4,808)
	\$ 758,093	\$ 764,543

5. LIFE INSURANCE POLICIES CASH SURRENDER VALUE

The Foundation is the assignee and owner of life insurance policies with a cash surrender value of \$272,494 (2015 - \$293,090).

6. ACCOUNTS PAYABLE

Included in accounts payable is \$4,128 (2015 - \$2,790) in government remittances payable.

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

7. GRANTS PAYABLE

The Foundation received \$45,500 of contributions during the year from the Community Foundation of Canada. \$25,000 of these funds were used as a Welcome Fund for Syrian refugees. The remaining funds were to be used for Canada 150 grants. The externally restricted contribution remaining of \$12,500 will be paid in 2017.

8. UNAMORTIZED CAPITAL CONTRIBUTIONS

Unamortized capital contributions represent the contribution discounted against the original purchase price of the condominium unit located at 1202 - 2nd Avenue South, Lethbridge. The changes in the unamortized capital contributions balance for the period are as follows:

	2016	2015
Beginning balance	\$ 45,295	\$ -
Contribution	-	45,580
Amounts amortized to revenue	(1,139)	(285)
Ending balance	\$ 44,156	\$ 45,295

9. MANAGED FUNDS

Funds held on behalf of third parties are pooled with the investments of the Foundation. On an annual basis, a portion of the investment income and any gains or losses on the market value of the investments are allocated to these funds. As such, these funds are reported at fair value on December 31. Management fees of 1% per year are charged monthly on these funds prior to the allocation of the current year's investment income and change in market value. The fees on Managed Funds in 2016 totaled \$14,592 (2015 - \$13,721). The receipt and disbursement of these funds are not reflected in the statement of revenues and expenses and changes in net assets of the Foundation.

The balances, reported at their fair values (net of management fees) at year end, are owned by:

	2016	2015
Kiwanis Club of Lethbridge Trust	\$ 442,432	\$ 434,581
Lethbridge Therapeutic Riding Association	62,905	58,615
Parish of St. Augustine's	716,291	683,510
Claresholm and District Health Foundation	272,470	253,892
Claresholm Seniors Drop-in Centre	53,664	50,626
	\$ 1,547,762	\$ 1,481,224

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

10. COMMITMENTS

The Foundation is committed to monthly payments of \$658 for condominium fees for its unit at 1202 - 2nd Avenue South, Lethbridge, Alberta.

11. INVESTMENT INCOME

The total interest income for the year is \$398,572 (2015 - \$395,102).

12. FUND TRANSFERS

Various funds were transferred to General Community and Field of Interest Funds in the amount of \$32,002 from the Designated Funds. Transfers between funds reflect updates or changes to how grants from a fund are managed. This may be a result of funds emerging, changes to fund agreements or reinterpretation of fund agreements.

13. SPECIAL EVENTS

	2016	2015
Friends of the Foundation Dinner revenue	\$ 7,600	\$ 9,300
Friends of the Foundation Dinner expense	(10,871)	(8,565)
	\$ (3,271)	\$ 735

14. FINANCIAL INSTRUMENT RISK

Interest Rate Risk

The Foundation manages its portfolio investments based on its cash flow needs and with a view to optimizing its investment income. The Foundation has bonds and fixed income investments on which the effective interest rates fluctuate and have a range of maturity dates.

Market Risk

The Foundation is subject to market risk with respect to its investments. The values of these investments fluctuate as a result of changes in market prices or other factors affecting the values of the investments.

15. COMPARATIVE FIGURES

Comparative figures have been reclassified to conform to the current year's presentation.

**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA
SCHEDULE OF OPERATING EXPENSES**

For year ended December 31	2016	2015 (Note 15)
Advertising and promotion	\$ 33,696	\$ 32,950
Amortization	19,562	4,808
Communications (Vital Signs)	12,173	13,183
GST	5,320	6,914
Office and condominium fees	31,894	29,726
Office equipment and furniture	6,770	60,906
Professional development	18,020	13,826
Professional fees	33,983	20,495
Salaries and contract services	192,258	193,957
Special events (Note 13)	3,271	(735)
Technology	5,927	11,923
	362,874	387,953
Less portion covered by managed funds	(14,592)	(13,721)
	\$ 348,282	\$ 374,232
 Fund Allocation:		
General Community Funds	\$ 225,454	\$ 282,840
Field of Interest Funds	56,373	55,621
Designated Funds	66,455	35,771
	\$ 348,282	\$ 374,232
 Funded by:		
Amortization of capital contributions	\$ 1,140	\$ 285
Grants, sponsorships and administrative donations	57,130	11,060
Administrative fees charged to Field of Interest and Designated Funds	122,828	91,392
Administrative fees charged to General Community Funds	167,184	271,495
	\$ 348,282	\$ 374,232