

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
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**FOR THE YEAR ENDED DECEMBER 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

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**To: The Directors of  
The Community Foundation of Northwestern Alberta**

We have audited the accompanying financial statements of The Community Foundation of Northwestern Alberta (the "Foundation"), which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in fund balances, and cash flows for the for the year then ended, as well as a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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**INDEPENDENT AUDITOR'S REPORT, continued**

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*Basis for Qualified Opinion*

As is common with many not-for-profit organizations, the Foundation derives some revenue from cash donations, the completeness of which is not determinable through audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded by the Foundation. We were not able to determine whether any adjustments may have been necessary to contributions, revenues, expenditures, current assets, and net assets.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter above, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2017 and the results of the statement of operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**CALGARY, ALBERTA  
MARCH 28, 2018**

*Catalyst LLP*  
**CHARTERED PROFESSIONAL  
ACCOUNTANTS**

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 29,785	\$ 32,772
Unrestricted portfolio investments	354,933	355,664
Accounts receivable	3,234	11,750
Prepaid expenditures	545	545
	388,497	400,731
<b>Restricted portfolio investments (Note 3)</b>	7,286,984	6,904,385
<b>Capital assets (Note 4)</b>	165	207
	<b>\$ 7,675,646</b>	<b>\$ 7,305,323</b>
<b>Liabilities and fund balances</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 16,252	\$ 13,902
Deferred contributions	14,013	26,135
	30,265	40,037
<b>Fund balances (Note 5)</b>	7,645,381	7,265,286
	<b>\$ 7,675,646</b>	<b>\$ 7,305,323</b>

Approved on behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA  
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Operating Fund	Flow through Fund	Endowment Fund	2017 Total	2016 Total
<b>Revenues (Schedule 1)</b>	\$ 427,730	\$ 61,653	\$ 407,869	\$ 897,252	\$ 899,870
<b>Direct expenditures</b>					
Community leadership program	63,310	-	-	63,310	6,549
Nourish the North	35,681	-	-	35,681	26,401
	98,991	-	-	98,991	32,950
<b>Administrative and operating expenditures (Schedule 2)</b>	327,620	10,448	126,315	464,383	456,075
<b>Grants to agencies</b>	9,250	155,647	114,625	279,522	127,558
	336,870	166,095	240,940	743,905	583,633
<b>Other income (expenditures)</b>					
Unrealized gain on portfolio investments	5,506	8,270	314,116	327,892	322,020
Unrealized foreign exchange loss	-	-	(2,153)	(2,153)	(30,110)
	5,506	8,270	311,963	325,739	291,910
<b>Excess (deficiency) of revenues over expenditures</b>	(2,625)	(96,172)	478,892	380,095	575,197
<b>Transfers between funds</b>	2,625	(908,506)	905,881	-	-
<b>Fund balances, beginning of year</b>	355,512	1,204,492	5,705,282	7,265,286	6,690,089
<b>Fund balances, end of year</b>	355,512	199,814	7,090,055	7,645,381	7,265,286

The accompanying notes are an integral part of these financial statements

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Excess of revenues over expenditures for the year	\$ 380,095	\$ 575,197
Adjustments for		
Amortization	41	54
Unrealized gain on portfolio investments	(370,758)	(322,020)
Unrealized foreign exchange loss	2,153	30,110
	11,531	283,341
Change in non-cash working capital items		
Accounts receivable	8,516	24,828
Accounts payable and accrued liabilities	2,351	(1,401)
Deferred contributions	(12,122)	6,135
	10,276	312,903
<b>Cash flows from investing activities</b>		
Purchase of restricted portfolio investments	(13,994)	(281,723)
Purchase of unrestricted portfolio investments	-	(12,243)
Proceeds from unrestricted portfolio investments	731	-
	(13,263)	(293,966)
<b>Increase (decrease) in cash</b>	<b>(2,987)</b>	<b>18,937</b>
<b>Cash, beginning of year</b>	<b>32,772</b>	<b>13,835</b>
<b>Cash, end of year</b>	<b>\$ 29,785</b>	<b>\$ 32,772</b>

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**1. Purpose and nature of the Foundation**

The Community Foundation of Northwestern Alberta (the "Foundation") serves the people of the Peace Country Region by building endowments and flexible donor services to benefit other registered charities within the community, to help donors reach their charitable goals, to provide a wide range of grants within the community to meet short term and long term priorities, and to provide leadership in building a stronger, caring community.

The Foundation is incorporated under the Canada Business Corporations Act as a not-for-profit organization and is a registered charitable organization under Section 149(1)(f) of the Income Tax Act and, accordingly, is exempt from income taxes. Therefore, no provision for income taxes is recorded in the financial statements.

**2. Significant 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:

**(a) Cash**

Cash consists of balances with financial institutions.

**(b) Fund accounting**

The Foundation follows the restricted fund method of accounting for contributions. Restricted fund accounting requires separate disclosure of fund balances attributable to internal or external restrictions.

The purpose of the operating fund is to fund budgeted administrative costs with unrestricted donations and donations for specified costs. The operating fund is unrestricted and internally restricted. Unrestricted net assets can be used at the discretion of the Foundation's management, under the direction of the Board of Directors.

Endowment funds represent amounts donated to the Foundation for which the capital is intended to be preserved. Grants are made for designated purposes from the investment income earned. Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained for specifically defined purposes. Investment income earned from endowment funds are utilized within the fund where it was earned.

Flow through funds represent amounts invested in trust with the Foundation and are not intended to be held as endowment funds. These funds are distributed to a designated charitable organization or used for other special purposes as requested by the donor.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**2. Significant accounting policies, continued**

**(c) Capital assets**

Capital assets are recorded at cost. The Foundation provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

Furniture and fixtures	20%
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**(d) Deferred contributions**

Deferred contributions represents donations received in advance, intended for use in the subsequent fiscal year.

**(e) Revenue recognition**

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions, donations, and Nourish the North event revenues are recognized in the corresponding fund as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Dividend income, interest income, changes in cash surrender value of life insurance, and gains and losses on disposition of portfolio investments are recorded in investment income when earned.

Administrative fees, royalties, government grants and other revenue are recognized as incurred.

**(f) Contributed services**

Volunteers contributed time to assist the Foundation in carrying out various programs. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

**(g) Foreign exchange**

The Foundation uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Other assets and liabilities are translated at the rate in effect on the transaction date. Balances for the current year appearing in the income statement, except for amortization translated at historic rate, are translated at average year rates. Exchange gains and losses are included in the statement of operations.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**2. Significant accounting policies, continued**

**(h) Measurement uncertainty**

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 expenditures during the period. Significant areas requiring the use of estimates include: estimated useful lives of capital assets. Actual results may differ from management's best estimates as additional information becomes available in the future.

**(i) Financial instruments**

**(i) Measurement of financial instruments**

The Foundation initially measures its financial assets and liabilities at fair value.

The Foundation subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenditures in the period incurred.

Financial assets measured at cost include cash and accounts receivable.

Financial liabilities measured at cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include unrestricted and restricted portfolio investments.

**(ii) Impairment**

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

**(iii) Transaction costs**

The entity recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**2. Significant accounting policies, continued**

**(j) Investment tax credits**

Investment tax credits generated through the expenditure of scientific research and experimental development costs are accounted for using the cost reduction approach whereby the investment tax credits are credited to the related expenses and/or capitalized items of the period in which the costs were incurred.

**3. Restricted and unrestricted portfolio investments**

	<b>2017</b>	<b>2016</b>
Fixed income	\$ 2,361,544	\$ 2,985,125
Canadian equity	2,134,852	1,810,503
US equity	1,485,418	1,273,426
International equity	783,092	545,865
Cash and cash equivalents	737,268	523,986
Cash surrender value of life insurance	139,743	121,144
	7,641,917	7,260,049
Unrestricted (operating fund) investments	(354,933)	(355,664)
	<b>\$ 7,286,984</b>	<b>\$ 6,904,385</b>

Fixed income investments include financial instruments with an interest rate between 1.91% and 2.70%.

Cash and cash equivalents includes cash and fixed income investments maturing within one year.

**4. Capital assets**

	<b>2017</b>		<b>2016</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Furniture and fixtures	\$ 4,119	\$ 3,954	\$ 165	\$ 207

**5. Fund balances**

Endowment funds are comprised of permanent contributions and attributed cumulative net growth. They are administered in accordance with the objectives established by the donor. Non-endowment funds, comprised of externally restricted, internally restricted, and unrestricted contributions and attributed cumulative net growth, are not required to be maintained in perpetuity.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**5. Fund balances, continued**

	Non- endowment Funds	Endowment Funds - Restricted	2017	2016
Operating - Unrestricted	\$ 112,709	\$ -	\$ 112,709	\$ 110,084
Operating - Internally restricted	242,803	-	242,803	245,428
Flow through - Restricted	199,814	-	199,814	1,204,492
Community and undesignated	-	2,049,438	2,049,438	1,988,132
Designated	-	367,607	367,607	368,645
Donor advised	-	2,471,930	2,471,930	1,317,276
Field of interest	-	976,678	976,678	470,558
Student awards	-	1,071,074	1,071,074	1,413,759
Charitable organization	-	153,328	153,328	146,912
	<u>\$ 555,326</u>	<u>\$ 7,090,055</u>	<u>\$ 7,645,381</u>	<u>\$ 7,265,286</u>

The Foundation offers donors flexibility to select where their donation is directed by the different fund options.

(a) Operating

Donors indicate they wish to support the operations of the Foundation. In addition, the Foundation is entitled to charge administration fees based on the proceeding quarterly average market valuation of the Foundation's endowment and flow through funds, according to donor agreements. The Foundation fees, less related expenditures may be drawn by the Foundation from the income of the fund and transferred to the operating fund to be used for operating purposes.

The Board of Directors has internally restricted funds within the operating fund as a contingency for funding future operational expenditures as required.

(b) Charitable organization funds

Funds are established by charitable organizations to provide them with a sustainable source of long-term funding.

(c) Community impact funds

Funds for the Community impact fund are established through endowment funds that are pooled to address emerging and pressing needs of the community. Disbursements are made in accordance to the Foundation's general distribution policies and guidelines primarily in response to the needs.

(d) Designated funds

Donors indicate the specific charity or charities to receive support.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**5. Fund balances, continued**

(e) Donor-advised funds

Funds enable donors to be actively involved in recommending grant recipients on an annual basis.

(f) Field of interest funds

Funds that are dedicated to a general charitable area of interest as identified by the donor.

(g) Student awards

Funds supporting post-secondary student education and training opportunities.

(h) Flow through

Donors designate their gifts as being non-endowed and request the gift to be distributed to a specific charity or purpose.

When designating gifts to an endowment fund, donors may direct a percentage of their fund to the community fund and/or the operations of the Foundation. Transfers between funds are accepted by the fund holders and approved by the Board of Directors.

**6. Charitable Fundraising Act of Alberta**

As required under Section 7(2) of the Regulations of the Charitable Fund raising Act of Alberta, the Foundation discloses that the services costs incurred for the purposes of soliciting contributions were \$nil (2016 - \$nil). The total amount paid as remuneration to employees whose principal duties involve fundraising was \$nil (2016 - \$nil).

No single disposition of contributions equalled or exceeded 10% of the gross contributions for the 12 month period ended December 31, 2017 (2016 - No single disposition of contributions equalled or exceeded 10% of the gross contributions).

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**7. Financial instruments**

The Foundation is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Company's exposure to these risks.

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation is exposed to currency risk within the international investment account holdings. US investment holdings for 2017 is \$1,485,418 (2016 - \$1,273,426) and International investment holdings for 2017 is \$783,092 (2016 - \$545,865). These accounts are comprised of cash and common shares. The Foundation does not use derivative financial instruments to reduce its exposure to currency risk.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its fixed income instruments within the portfolio investment account. Fixed-rate financial instruments subject the Foundation to a fair value risk.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk through its restricted and unrestricted portfolio investments invested in equity securities traded in an active market.

There has been no change to the risk exposures from 2016. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant credit risk, liquidity risk or other price risks arising from these financial instruments.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA  
SCHEDULES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Operating Fund	Flow through Fund	Endowment Fund	2017 Total	2016 Total
<b>Schedule 1 - Revenues</b>					
<b>Revenues</b>					
Donations	\$ 31,405	\$ 60,694	\$ 216,794	\$ 308,893	\$ 428,275
Administration fees	137,825	-	-	137,825	128,785
Nourish the North	111,180	-	-	111,180	124,714
Dividend income	-	-	110,711	110,711	92,934
Community leadership grants	63,310	-	-	63,310	6,549
Interest income	878	959	61,765	63,602	30,147
Smart and caring leaders	60,500	-	-	60,500	84,500
Random acts of kindness	19,061	-	-	19,061	-
Increase in life insurance surrender value	-	-	18,599	18,599	762
Royalties	3,571	-	-	3,571	3204
<b>Total revenues</b>	<b>\$427,730</b>	<b>\$ 61,653</b>	<b>\$ 407,869</b>	<b>\$ 897,252</b>	<b>\$ 899,870</b>

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA  
SCHEDULES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Operating Fund	Flow through Fund	Endowment Fund	2017 Total	2016 Total
<b>Schedule 2 – Administrative and operating expenditures</b>					
<b>Administrative and operating expenditures</b>					
Wages and benefits	\$ 211,130	-	-	\$ 211,130	\$ 235,206
Administration fees	-	10,448	126,315	136,763	127,668
Professional fees	32,656	-	-	32,656	27,504
Office	29,364	-	-	29,364	22,401
Random acts of kindness	19,061	-	-	19,061	11,539
Awareness and education	9,984	-	-	9,984	12,183
Common area	7,355	-	-	7,355	7,354
Travel and conferences	5,436	-	-	5,436	2,311
Memberships	5,308	-	-	5,308	4,783
Telephone	2,981	-	-	2,981	2,235
Insurance	2,681	-	-	2,681	2,761
Interest and bank charges	1,623	-	-	1,623	76
Amortization	41	-	-	41	54
<b>Total administrative and operating expenditures</b>	<b>\$327,620</b>	<b>\$10,448</b>	<b>\$126,315</b>	<b>\$464,383</b>	<b>\$456,075</b>