

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA

FINANCIAL STATEMENTS

DECEMBER 31, 2015

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
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FOR THE YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

**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, 2015, 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.

INDEPENDENT AUDITOR'S REPORT, continued

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

Except as noted in the above paragraph, in our qualified opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2015 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
APRIL 8, 2016**

Catalyst LLP
**CHARTERED PROFESSIONAL
ACCOUNTANTS**

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

	2015	2014
Assets		
Current		
Cash	\$ 13,835	\$ 17,239
Unrestricted portfolio investments (Note 3)	343,421	354,349
Accounts receivable	36,578	18,316
Prepaid expenses	545	545
	394,379	390,449
Restricted portfolio investments (Note 3)	6,330,752	5,970,078
Capital assets (Note 4)	262	329
	\$ 6,725,393	\$ 6,360,856
Liabilities and fund balances		
Current		
Accounts payable and accrued liabilities	\$ 15,304	\$ 12,163
Unearned revenue	20,000	24,073
	35,304	36,236
Fund balances (Note 5)	6,690,089	6,324,620
	\$ 6,725,393	\$ 6,360,856

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, 2015

	Operating Fund	Flow through Fund	Endowment Fund	2015 Total	2014 Total
Revenues (Schedule 1)	\$ 420,030	\$ 39,153	\$ 544,799	\$ 1,003,982	\$ 1,040,592
Direct expenditures					
Community leadership program	58,970	-	-	58,970	12,016
Nourish the North	16,020	-	-	16,020	70,611
	74,990	-	-	74,990	82,627
Administrative and operating expenditures (Schedule 2)	332,146	21,368	97,832	452,476	444,670
Grants to agencies	10,000	9,800	118,920	138,720	117,825
	342,146	31,168	216,752	591,196	562,495
Other income (expenditures)					
Unrealized gain (loss) on portfolio investments	-	(169)	(255,437)	(255,606)	(282)
Unrealized foreign exchange gain	-	-	282,149	282,149	149,656
	-	(169)	26,712	26,543	149,374
Excess (deficiency) of revenues over expenditures	2,894	7,816	354,759	365,469	544,844
Transfers between funds	-	(28,274)	28,274	-	-
Fund balances, beginning of year	357,189	1,176,330	4,791,101	6,324,620	5,779,776
Fund balances, end of year	\$ 360,083	\$ 1,155,872	\$ 5,174,134	\$ 6,690,089	\$ 6,324,620

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, 2015

	2015	2014
Cash flows from operating activities		
Excess of revenues over expenditures for the year	\$ 365,469	\$ 544,844
Adjustments for		
Amortization	68	88
Unrealized (gain) loss on portfolio investments	255,606	282
Unrealized foreign exchange (gain)	(282,149)	(149,656)
	338,994	395,558
Change in non-cash working capital items		
Accounts receivable	(18,262)	(12,996)
Accounts payable and accrued liabilities	3,141	170
Unearned revenue	(4,073)	13,955
	319,800	396,687
Cash flows from investing activities		
Purchase of restricted portfolio investments	(158,584)	(359,982)
Purchase of unrestricted portfolio investments	(164,620)	(38,152)
	(323,204)	(398,134)
Decrease in cash	(3,404)	(1,447)
Cash, beginning of year	17,239	18,686
Cash, end of year	\$ 13,835	\$ 17,239

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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) Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. Restricted fund accounting requires separate disclosure of net assets 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, 2015

2. Significant accounting policies, continued

(b) 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%
Computer equipment	55%

(c) Unearned revenue

Unearned revenue represents donations received in advance, intended for use in the subsequent fiscal year.

(d) 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, and government grants are recognized as earned.

(e) 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.

(f) 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 balance sheet date. Other assets and liabilities are translated at the rate in effect on the transaction date. Balances for the current year appearing in the statement of operations, 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, 2015

2. Significant accounting policies, continued

(g) 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, and disclosure of contingent 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 property, plant and equipment and unearned revenues. Actual results may differ from management's best estimates as additional information becomes available in the future.

(h) 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 operations 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, 2015

3. Restricted and unrestricted portfolio investments

	2015	2014
Fixed income	\$ 3,268,925	\$ 3,163,931
Canadian equity	1,662,807	1,175,948
US equity	623,705	962,103
Cash and cash equivalents	672,871	501,367
International equity	325,483	412,108
Cash surrender value of life insurance	120,382	108,970
	6,674,173	6,324,427
Unrestricted (operating fund) investments	(343,421)	(354,349)
	\$ 6,330,752	\$ 5,970,078

Fixed income investments include financial instruments with an interest rate between 1.6% and 4.7%.

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

4. Capital assets

	2015		2014	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	\$ 4,119	\$ 3,860	\$ 259	\$ 323
Computer equipment	2,143	2,140	3	6
	\$ 6,262	\$ 6,000	\$ 262	\$ 329

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. Restrictions relating to the distributions from endowment and non-endowment funds are described below.

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

5. Fund balances, continued

	Non- endowment Funds	Endowment Funds - Restricted	2015	2014
Operating - Unrestricted	\$ 110,084	\$ -	\$ 110,084	\$ 107,190
Operating - Internally restricted	250,000	-	250,000	250,000
Flow through - Restricted	1,184,146	-	1,184,146	1,176,329
Community and undesignated	-	1,862,213	1,862,213	1,834,924
Designated	-	347,654	347,655	295,391
Donor advised	-	1,228,674	1,228,674	1,143,628
Field of interest	-	434,077	434,077	392,915
Student awards	-	1,143,367	1,143,367	993,398
Charitable organization	-	129,873	129,873	130,845
	<u>\$ 1,544,230</u>	<u>\$ 5,145,858</u>	<u>\$ 6,690,089</u>	<u>\$ 6,324,620</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, 2015

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 (2014 - \$nil). The total amount paid as remuneration to employees whose principal duties involve fundraising was nil (2014 - \$nil).

No single disposition of contributions equalled or exceeded 10% of the gross contributions for the 12 month period ended December 31, 2015 (2014 - No single disposition of contributions equalled or exceeded 10% of the gross contributions).

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.

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

7. Financial instruments, continued

(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 2015 is \$623,705 (2014 - \$962,103) and International investment holdings for 2015 is \$325,483 (2014 - \$412,108). 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/unrestricted portfolio investments invested in equity securities traded in an active market.

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
SCHEDULES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Operating Fund	Flow through Fund	Endowment Fund	2015 Total	2014 Total
Schedule 1 - Revenues					
Revenues					
Donations	\$ 14,949	\$ 11,800	\$ 390,020	\$ 416,769	\$ 447,925
Administration fees	120,330	-	-	120,330	113,243
Nourish the North	114,357	-	-	114,357	209,363
Dividend income	-	-	92,021	92,021	87,744
Corporate leaders program	83,500	-	-	83,500	74,373
Interest income	6,953	27,353	48,977	83,283	66,000
Community leadership grants	74,073	-	-	74,073	16,383
Increase in life insurance surrender value	-	-	13,781	13,781	14,099
Royalties	5,868	-	-	5,868	11,462
	\$ 420,030	\$ 39,153	\$ 544,799	\$ 1,003,982	\$ 1,040,592

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
SCHEDULES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Operating Fund	Flow through Fund	Endowment Fund	2015 Total	2014 Total
Schedule 2 – Administrative and operating expenditures					
Administrative and operating expenditures					
Wages and benefits	\$ 209,209	-	-	\$ 209,209	\$ 233,804
Administration fees	-	21,368	97,832	120,330	113,243
Professional fees	30,711	-	-	30,711	30,094
Office	30,607	-	-	30,607	28,882
Advertising and promotion	24,870	-	-	24,870	10,782
Random acts of kindness	10,595	-	-	10,595	5,244
Travel and conferences	9,142	-	-	9,142	2,988
Common area	7,237	-	-	7,237	4,651
Memberships	4,091	-	-	4,091	3,560
Insurance	2,765	-	-	2,765	2,765
Telephone	1,970	-	-	1,970	2,054
Interest and bank charges	881	-	-	881	1,310
Power of community	-	-	-	-	5,205
Amortization	68	-	-	68	88
Total administrative and operating expenditures	\$ 332,146	\$ 21,368	\$ 97,832	\$ 451,346	\$ 444,670