

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)**

FINANCIAL STATEMENTS

DECEMBER 31, 2013

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)**

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FOR THE YEAR ENDED DECEMBER 31, 2013**

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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 (formerly The Community Foundation of Greater Grande Prairie), which comprise the statement of financial position as at December 31, 2013, 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 non-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 opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2013 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.

**CALGARY, ALBERTA
MARCH 26, 2014**

Catalyst LLP
ACCOUNTANTS

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

	2013	2012
Assets		
Current		
Cash	\$ 18,686	\$ 12,731
Unrestricted portfolio investments (Note 3)	316,196	352,195
Accounts receivable	5,320	7,044
Prepaid expenses	545	545
	340,747	372,515
Restricted portfolio investments (Note 3)	5,460,723	4,235,888
Capital assets (Note 4)	417	534
	\$ 5,801,887	\$ 4,608,937
Liabilities and fund balances		
Current		
Accounts payable and accrued liabilities	\$ 11,993	\$ 11,796
Unearned revenue	10,118	6,125
	22,111	17,921
Fund balances (Note 5)	5,779,776	4,591,016
	\$ 5,801,887	\$ 4,608,937

Approved on behalf of the Board

_____ Director

_____ Director

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)**

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Operating Fund	Flow through Fund	Endowment Fund	2013 Total	2012 Total
Revenues (Schedule 1)	\$ 437,037	\$ 62,223	\$ 983,658	\$ 1,482,918	\$930,990
Direct expenditures					
Community leadership program	50,632	-	-	50,632	11,195
Vintage evening gala	48,598	-	-	48,598	47,052
	99,230	-	-	99,230	58,247
Administrative and operating expenditures (Schedule 2)	313,481	24,210	66,904	404,595	356,837
Grants to agencies	-	44,150	27,425	71,575	158,975
	313,481	68,360	94,329	476,170	515,812
Other income (expenditures)					
Unrealized gain on portfolio investments	-	170	238,425	238,595	73,227
Unrealized foreign exchange gain (loss)	-	-	42,646	42,646	(12,790)
	-	170	281,071	281,241	60,437
Excess (deficiency) of revenues over expenditures	24,326	(5,967)	1,170,400	1,188,759	417,368
Fund balances, beginning of year	349,326	1,190,854	3,050,837	4,591,017	4,173,649
Transfers between funds during the year	(50,091)	-	50,091	-	-
Fund balances, end of year	\$ 323,561	\$1,184,887	\$4,271,328	\$5,779,776	\$4,591,017

The accompanying notes are an integral part of these financial statements

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Cash flows from operating activities		
Excess of revenues over expenditures for the year	\$ 1,188,759	\$ 417,368
Adjustments for		
Amortization	117	161
Unrealized gain on portfolio investments	(238,595)	(73,227)
Unrealized portion of foreign exchange (gain) loss	(42,646)	12,790
	907,635	357,092
Change in non-cash working capital items		
Accounts receivable	1,724	(2,200)
Accounts payable and accrued liabilities	197	293
Unearned revenue	3,993	1,000
	913,549	356,185
Cash flows from investing activities		
Purchase of unrestricted portfolio investments	-	(86,603)
Purchase of restricted portfolio investments	(907,594)	(267,168)
	(907,594)	(353,771)
Increase in cash	5,955	2,414
Cash, beginning of year	12,731	10,317
Cash, end of year	\$ 18,686	\$ 12,731

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 as a registered Canadian charitable organization as defined by the Income Tax Act (Canada). The Foundation is a not-for-profit organization and as such is not subject to income tax.

The name of the Foundation was changed from The Community Foundation of Greater Grande Prairie to The Community Foundation of Northwestern Alberta effective April 1st, 2013.

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
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Restricted and unrestricted contributions, donations, and gala revenues are recognized 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 are translated at average year rates. Exchange gains and losses are included in the statement of operations.

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary they are reported in income in the period in which they become known.

(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 the statement of operations.

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
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

3. Restricted portfolio investments

	2013	2012
Cash	\$ 344,563	\$ 255,378
Fixed income	2,651,043	2,241,341
Canadian equity	1,998,459	1,653,373
US equity	500,882	270,246
International equity	187,101	86,066
Cash surrender value of life insurance	94,871	81,679
	5,776,919	4,588,083
Unrestricted (operating fund) investments	(316,196)	(352,195)
	\$ 5,460,723	\$ 4,235,888

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

4. Capital assets

	2013		2012	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	\$ 4,119	\$ 3,715	\$ 404	\$ 505
Computer equipment	2,143	2,130	13	29
	\$ 6,262	\$ 5,845	\$ 417	\$ 534

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

5. Endowment and fund accounts

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.

	Non- endowment Funds	Endowment funds - Restricted	2013	2012
Operating - Unrestricted	\$ 73,561	\$ -	\$ 73,561	\$ 99,326
Operating - Internally restricted	250,000	-	250,000	250,000
Flow through - Restricted	1,184,887	-	1,184,887	1,190,854
Community and undesignated	-	1,729,352	1,729,352	1,063,991
Designated	-	204,810	204,810	94,423
Donor advised	-	1,118,198	1,118,198	442,998
Field of interest	-	311,933	311,933	842,568
Scholarships, bursaries and awards	-	802,476	802,476	606,857
Charitable organization	-	104,559	104,559	-
	\$ 1,508,448	\$ 4,271,328	\$ 5,779,776	\$ 4,591,017

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

5. Endowment and fund accounts, continued

(a) Operating

Donors indicate they wish to support the operations of the Foundation. 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 expenses 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 has internally restricted funds within the operating fund as a contingency for funding future operational expenditures as required.

(b) Flow Through

Donors designate their gifts as being non-endowed and request that the entire gift be distributed to specific charities or purposes.

(c) Community and undesignated

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

(d) Designated

Donors indicated one or more specific charities to support.

(e) Donor advised

Donors consult with the Foundation and advise regularly regarding the distributions from these funds.

(f) Field of interest

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

(g) Scholarships, bursaries, and awards

Scholarships, bursaries, and awards are granted to students for a wide range of continuing education opportunities. 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 fundholders and approved by the Board of Directors.

THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 (2012 - nil). The total amount paid as remuneration to employees whose principal duties involve fundraising was nil (2012 - nil).

No single disposition of contributions equalled or exceeded 10% of the gross contributions for the 12 month period ended December 31, 2013. (2012 - 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.

(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 US portfolio investment account of \$986,977 (2012 - \$536,954) which are shown in US dollars and converted to Canadian dollars. This account is 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 investments in marketable securities invested in equity securities traded in an active market.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

8. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)**

**SCHEDULES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Operating Fund	Flow through Fund	Endowment Fund	2013 Total	2012 Total
Schedule 1 - Revenues					
Revenues					
Donations	\$ 34,000	\$ 36,956	\$ 880,328	\$ 951,284	\$ 470,879
Vintage evening gala	156,695	-	-	156,695	180,721
Administration fees	90,274	-	-	90,274	79,552
Corporate citizen contributions	71,000	-	-	71,000	72,000
Interest income	3,793	25,267	37,998	67,058	76,998
Dividend income	-	-	52,140	52,140	333
Community leadership grants	50,632	-	-	50,632	17,000
Administrative grant	20,867	-	-	20,867	25,000
Increase in life insurance surrender value	-	-	13,192	13,192	8,507
Frost Moon Festival contributions	9,000	-	-	9,000	-
Royalties	776	-	-	776	-
	\$ 437,037	\$ 62,223	\$ 983,658	\$ 1,482,918	\$930,990

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA
(FORMERLY THE COMMUNITY FOUNDATION OF GREATER GRANDE PRAIRIE)**

**SCHEDULES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Operating Fund	Flow through Fund	Endowment Fund	2013 Total	2012 Total
Schedule 2 – Administrative and operating expenditures					
Administrative and operating expenditures					
Wages and benefits	\$ 198,082	\$ -	\$ -	\$ 198,082	\$ 187,088
Administration fees	-	24,210	66,904	91,114	79,552
Professional fees	31,392	-	-	31,392	31,432
Office	26,252	-	-	26,252	17,901
Advertising and promotion	20,238	-	-	20,238	11,538
Frost Moon Festival expenditures	9,000	-	-	9,000	-
RAK expenditures	8,192	-	-	8,192	4,414
Travel and conferences	6,062	-	-	6,062	6,376
Common area expenditures	4,651	-	-	4,651	4,616
Memberships	3,330	-	-	3,330	2,628
Telephone	2,216	-	-	2,216	2,626
Insurance	2,763	-	-	2,763	2,420
Interest and bank charges	1,107	-	-	1,107	1,619
Power of Community	79	-	-	79	4,466
Amortization	117	-	-	117	161
Total administrative and operating expenditures	\$ 313,481	\$ 24,210	\$ 66,904	\$404,595	\$ 356,837