

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
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**FOR THE YEAR ENDED DECEMBER 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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

*Opinion*

We have audited the financial statements of The Community Foundation of Northwestern Alberta (the "Foundation"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in fund balances 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 accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2019, 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 (ASNPO).

*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.

*Information other than the Financial Statements and Auditor's Report thereon*

Management is responsible for the other information. The other information is comprised of the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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## INDEPENDENT AUDITOR'S REPORT, continued

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### *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 ASNPO, 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.

### *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.

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**INDEPENDENT AUDITOR'S REPORT, continued**

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- 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, 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 opinion. Our conclusions are based on the audit evidence obtained up to the date of auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- 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.

**CALGARY, ALBERTA  
APRIL 8, 2020**

  
**CHARTERED PROFESSIONAL  
ACCOUNTANTS**

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 18,088	\$ 47,445
Unrestricted portfolio investments (Note 3)	303,144	284,591
Accounts receivable	5,057	2,299
Prepaid expenditures	545	910
	326,834	335,245
<b>Restricted portfolio investments (Note 3)</b>	<b>9,327,282</b>	<b>7,749,906</b>
<b>Capital assets</b>	<b>-</b>	<b>132</b>
	<b>\$ 9,654,116</b>	<b>\$ 8,085,283</b>

**Liabilities and fund balances**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 28,571	\$ 12,641
Deferred contributions (Note 4)	32,911	18,000
	61,482	30,641
<b>Fund balances (Note 5)</b>	<b>9,592,634</b>	<b>8,054,642</b>
	<b>\$ 9,654,116</b>	<b>\$ 8,085,283</b>

**Subsequent events (Note 8)**

Approved on behalf of the Board

Director

Director

RETURN

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Operating Funds	Flow through Funds	Endowment Funds	2019 Total	2018 Total
<b>Revenues (Schedule 1)</b>	\$ 362,928	\$ 172,557	\$ 613,374	\$ 1,148,859	\$ 1,594,214
<b>Direct expenditures</b>					
Vital Signs	45,839	-	-	45,839	14,089
Nourish the North	-	-	-	-	4,481
	45,839	-	-	45,839	18,570
<b>Administrative and operating expenditures (Schedule 2)</b>	344,786	750	162,629	508,165	478,628
<b>Grants to agencies</b>	16,400	78,001	21,849	116,250	221,725
	361,186	78,751	184,478	624,415	700,353
<b>Other income (expenditures)</b>					
Unrealized gain (loss) on portfolio investments	2,416	(1,892)	906,512	907,036	(509,151)
Unrealized foreign exchange gain	-	-	152,351	152,351	43,121
	2,416	(1,892)	1,058,863	1,059,387	(466,030)
<b>Excess (deficiency) of revenues over expenditures</b>	(41,681)	91,914	1,487,759	1,537,992	409,261
<b>Transfers between funds (Note 6)</b>	2,297	(24,870)	22,573	-	-
<b>Fund balances, beginning of year</b>	304,735	141,597	7,608,310	8,054,642	7,645,381
<b>Fund balances, end of year</b>	\$ 265,351	\$ 208,641	\$ 9,118,642	\$ 9,592,634	\$ 8,054,642

The accompanying notes are an integral part of the financial statements

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>2019</b>	<b>2018</b>
<hr/>		
<b>Cash flows from operating activities</b>		
Excess of revenues over expenditures for the year	\$ 1,537,992	\$ 409,261
Adjustments for		
Amortization	132	33
Unrealized (gain) loss on portfolio investments	(907,036)	509,151
Unrealized foreign exchange gain	(152,351)	(43,121)
	<hr/>	<hr/>
	478,737	875,324
Change in non-cash working capital items		
Accounts receivable	(2,758)	935
Prepaid expenditures	365	(365)
Accounts payable and accrued liabilities	15,929	(3,611)
Deferred contributions	14,911	3,987
	<hr/>	<hr/>
	507,184	876,270
<b>Cash flows from investing activities</b>		
Purchase of restricted portfolio investments	(520,405)	(928,863)
Proceeds from unrestricted portfolio investments	-	70,253
Purchase of unrestricted portfolio investments	(16,136)	-
	<hr/>	<hr/>
	(536,541)	(858,610)
<b>Increase (decrease) in cash</b>	(29,357)	17,660
<b>Cash, beginning of year</b>	<hr/>	<hr/>
	47,445	29,785
<b>Cash, end of year</b>	<hr/>	<hr/>
	\$ 18,088	\$ 47,445

The accompanying notes are an integral part of the financial statements



**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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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, 2019**

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**2. Significant accounting policies, continued**

**(c) Deferred contributions**

Deferred contributions represents donations and grants 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, and donations 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.

Operating expenditures, royalties, government grants and other revenue are recognized as incurred.

**(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 income statement are translated at average year rates. Exchange gains and losses are included in the income statement.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**2. Significant accounting policies, continued**

**(g) 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, 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 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, 2019**

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**3. Restricted and unrestricted portfolio investments**

	<b>2019</b>	<b>2018</b>
Canadian equity	\$ 3,831,663	\$ 3,044,351
Fixed income	3,065,391	2,592,764
US equity	1,126,664	893,016
Cash and cash equivalents	867,968	866,300
International equity	545,344	461,376
Cash surrender value of life insurance	193,396	176,690
	9,630,426	8,034,497
Unrestricted (operating fund) investments	(303,144)	(284,591)
	<b>\$ 9,327,282</b>	<b>\$ 7,749,906</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. Deferred contributions**

	<b>2019</b>	<b>2018</b>
Vital signs	\$ 18,161	\$ 12,000
Corporate sponsorship program	14,750	6,000
	<b>\$ 32,911</b>	<b>\$ 18,000</b>

**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, 2019**

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5. **Fund balances, continued**

	<b>Non- endowment Funds</b>	<b>Endowment Funds - Restricted</b>	<b>2019</b>	<b>2018</b>
Operating - Unrestricted	\$ 64,229	\$ -	\$ 64,229	\$ 61,932
Operating - Internally restricted	201,123	-	201,123	242,803
Flow through - Restricted	218,511	-	218,511	141,597
Community and undesignated	-	2,333,809	2,333,809	2,003,533
Designated	-	452,543	452,543	397,420
Donor advised	-	3,626,099	3,626,099	3,010,493
Field of interest	-	1,317,484	1,317,484	1,024,358
Student awards	-	1,200,618	1,200,618	1,028,570
Charitable organization	-	178,218	178,218	143,936
	<b>\$ 483,863</b>	<b>\$ 9,108,771</b>	<b>\$ 9,592,634</b>	<b>\$ 8,054,642</b>

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

(a) Operating funds

Donors indicate they wish to support the operations of the Foundation. In addition, the Foundation is entitled to charge operating expenditures 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 and undesignated 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.

**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**5. Fund balances, continued**

(d) Designated funds

Donors indicate the specific charity or charities to receive support.

(e) Field of interest funds

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

(f) Student award funds

Funds supporting post-secondary student education and training opportunities.

(g) Flow through - Restricted funds

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. Interfund transfers**

The Flow through Funds transferred \$22,573 to the Endowment Funds and \$2,297 to the Operating Funds for allocation of investments.

**7. 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 (2018 - \$nil). The total amount paid as remuneration to employees whose principal duties involve fundraising was \$nil (2018 - \$nil).

One disposition of contributions equalled or exceeded 10% of the gross contributions for the 12 month period ended December 31, 2019 (2018 - Three dispositions 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, 2019**

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**8. Subsequent events**

In January 2020, the World Health Organization declared COVID-19 a global health emergency and on March 11, 2020, COVID-19 was declared a global pandemic. There has been a significant drop in commodity prices and other market metrics, including the market value of investments. The overall impact of these events is uncertain, however the Foundation has begun taking measures to both protect its future operations and support the community in this time of crisis. This event results in increased risk regarding future cash flows and creditworthiness of organizations with which the Foundation operates.

**9. 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 2019 is \$1,815,472 (2018 - \$1,535,164) and International investment holdings for 2019 is \$878,751 (2018 - \$793,141). 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.

Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant liquidity, credit 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, 2019**

	Operating Fund	Flow through Fund	Endowment Fund	2019 Total	2018 Total
<b>Schedule 1 - Revenues</b>					
<b>Revenues</b>					
Donations	\$ 74,749	\$ 170,498	\$ 428,593	\$ 673,840	\$ 1,077,916
Operating expenditures	163,728	-	-	163,728	144,075
Dividend income	-	-	154,127	154,127	140,460
Smart and caring leaders	72,800	-	-	72,800	90,500
Vital Signs grants	45,839	-	-	45,839	24,278
Interest income	3,859	2,059	14,673	20,591	60,219
Increase in life insurance surrender value	-	-	15,981	15,981	36,948
Royalties	1,953	-	-	1,953	2,118
Nourish the North	-	-	-	-	17,700
<b>Total revenues</b>	<b>\$ 362,928</b>	<b>\$ 172,557</b>	<b>\$ 613,374</b>	<b>\$ 1,148,859</b>	<b>\$ 1,594,214</b>

The accompanying notes are an integral part of the financial statements



**THE COMMUNITY FOUNDATION OF NORTHWESTERN ALBERTA**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Operating Fund	Flow through Fund	Endowment Fund	2019 Total	2018 Total
<b>Schedule 2 - Administrative and operating expenditures</b>					
<b>Administrative and operating expenditures</b>					
Wages and benefits	261,345	-	-	261,345	229,517
Management fees	-	750	161,513	162,263	142,807
Professional fees	31,357	-	-	31,357	31,934
Office	25,168	-	-	25,168	37,345
Awareness and education	10,414	-	-	10,414	15,148
Common area	5,116	-	-	5,116	5,450
Memberships	4,317	-	-	4,317	5,842
Insurance	3,027	-	-	3,027	2,896
Interest and bank charges	799	-	1,116	1,915	2,174
Travel and conferences	1,721	-	-	1,721	2,890
Telephone	1,390	-	-	1,390	2,458
Amortization expense	132	-	-	132	33
Random acts of kindness	-	-	-	-	134
<b>Total administrative and operating expenditures</b>	<b>\$ 344,786</b>	<b>\$ 750</b>	<b>\$ 162,629</b>	<b>\$ 508,165</b>	<b>\$ 478,628</b>

The accompanying notes are an integral part of the financial statements