

**COMMUNITY FOUNDATION OF
LETHBRIDGE AND
SOUTHWESTERN ALBERTA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2010**

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA

FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Community Foundation of Lethbridge and Southwestern Alberta, which comprise the statement of financial position as at December 31, 2010, the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Foundation of Lethbridge and Southwestern Alberta as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants
April 26, 2011
Lethbridge, Alberta

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

	2010	2009
ASSETS		
Current		
Cash	\$ 412,327	\$ 100,234
Accounts receivable	5,199	3,189
Prepaid expenses	3,152	2,125
	420,678	105,548
Investments (Note 3)	13,875,572	13,363,930
Cash surrender value - life insurance policies (Note 4)	320,791	267,471
	\$ 14,617,041	\$ 13,736,949
LIABILITIES		
Current		
Accounts payable	\$ 17,725	\$ 49,448
Grants payable	-	39,229
	17,725	88,677
Managed funds (Note 5)	783,692	864,246
	801,417	952,923
NET ASSETS		
Fund balances		
General community fund	11,023,457	10,252,578
Field of interest funds	456,890	392,945
Designated funds	2,310,277	2,138,503
Internally restricted funds	25,000	-
	13,815,624	12,784,026
	\$ 14,617,041	\$ 13,736,949

Commitments (Note 8)

APPROVED BY THE BOARD:

DIRECTOR

DIRECTOR

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

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA

STATEMENT OF REVENUE, EXPENSES, AND FUND BALANCES YEAR ENDED DECEMBER 31, 2010

	2010					2009
	General Community Fund	Internally Restricted Funds	Field of Interest Funds	Designated Funds	Total	Total
REVENUE						
Contributions	\$ 262,364	\$ -	\$ 38,500	\$ 57,875	\$ 358,739	\$ 423,295
Investment income (Note 9)	336,056	-	14,239	76,051	426,346	436,743
Capital gain (loss) - realized and unrealized	455,388	-	19,286	99,290	573,964	1,278,428
Change in cash surrender value of life insurance	53,320	-	-	-	53,320	76,080
Alberta Culture & Community Grant	25,000	-	-	-	25,000	-
Administrative grants	50,000	-	-	-	50,000	50,000
	1,182,128	-	72,025	233,216	1,487,369	2,264,546
EXPENSES						
Grants	159,223	-	4,150	60,754	224,127	139,295
Flow through grants	-	-	-	-	-	71,229
Operating expenses (Schedule)	206,198	-	3,930	21,516	231,644	180,744
	365,421	-	8,080	82,270	455,771	391,268
EXCESS OF REVENUE OVER EXPENSES	816,707	-	63,945	150,946	1,031,598	1,873,278
FUND BALANCE , beginning of year	10,252,578	-	392,945	2,138,503	12,784,026	10,910,748
FUND TRANSFERS (Note 10)	(45,828)	25,000	-	20,828	-	-
FUND BALANCE , end of year	\$ 11,023,457	\$ 25,000	\$ 456,890	\$ 2,310,277	\$ 13,815,624	\$ 12,784,026
CONSISTING OF:						
Capital	\$ 10,966,083	\$ -	\$ 439,553	\$ 2,274,186	\$ 13,679,822	\$ 13,267,763
Undistributed income (overexpended)	57,374	25,000	17,337	36,091	135,802	(483,737)
	\$ 11,023,457	\$ 25,000	\$ 456,890	\$ 2,310,277	\$ 13,815,624	\$ 12,784,026

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

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Excess of revenue over expenses	\$ 1,031,598	\$ 1,873,278
Items not involving cash		
Current year unrealized gain on investments	(970,796)	(1,366,686)
Decrease (increase) in cash surrender value of life insurance	<u>(53,320)</u>	<u>(76,080)</u>
	7,482	430,512
Net change in non-cash working capital balances		
Accounts receivable	(2,010)	(71)
Prepaid expenses	(1,027)	(1,889)
Accounts and grants payable	<u>(70,952)</u>	<u>70,330</u>
	<u>(66,507)</u>	<u>498,882</u>
INVESTMENTS		
Net purchase of investments	459,154	(625,578)
Net change in managed funds	<u>(80,554)</u>	<u>139,464</u>
	<u>378,600</u>	<u>(486,114)</u>
INCREASE IN CASH DURING THE YEAR	312,093	12,768
CASH, beginning of year	<u>100,234</u>	<u>87,466</u>
CASH, end of year	<u><u>\$ 412,327</u></u>	<u><u>\$ 100,234</u></u>

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

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

1. PURPOSE OF THE ORGANIZATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles and follow the restricted fund method of accounting for contributions. Because certain donors have provided amounts for special purposes, the financial statements have been presented in a manner which segregates the General Community Fund (unrestricted) from Designated Funds (for special purposes).

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

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

The more significant accounting policies followed by the Foundation have been summarized to facilitate a review of the financial statements:

a) Revenue Recognition

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

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

Investment income includes dividends and interest income as well as realized and unrealized investment gains and losses. Unrealized gains and losses on held-for-trading financial assets are recognized monthly as revenue in the statement of revenue and expenses.

b) Donations in kind and amounts contributed are included in "donations and bequests".

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

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- c) Donated amounts for which the capital is to be preserved are recorded as fund capital. In addition, realized capital gains are recorded in fund balances.
- d) **Capital Assets**
Capital assets are recorded at cost less amortization. Amortization is recorded on a straight-line basis over the estimated useful life of the asset. Capital assets with a cost of less than \$5,000 are expensed in the year of acquisition.
- e) Investments are recorded at quoted market values. Accordingly, increases and decreases in the market values are directly reflected in the related fund balances.
- f) **Financial Instruments**
Financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial instruments are included on the statements of financial position and are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost.

The Foundation has classified its cash and cash equivalents and investments as held-for-trading, which are measured at fair value. Fair value of investments (other than forward contracts) is determined based on quoted bid prices. In cases where bid price information is not available, the investment has been valued using the final trade price. Settlement date accounting is used when an asset is recognized on the day it is received by the Foundation and the derecognition of an asset, and recognition of any gain or loss on disposal, is on the day that it is delivered by the Foundation. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and grants payable are classified as other financial liabilities which are measured at amortized cost. Transaction costs for loans and receivables and other financial liabilities are recognized in net income.

Risks arising from Financial Instruments

(a) Interest Rate Risk

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

(b) Market risk

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

g) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Funds

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

General Community Fund

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

Field of Interest Funds

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

Designated Funds

Donors indicate one or more specific charities for support.

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

3. INVESTMENTS

Investments consist of various marketable securities as follows:

	<u>2010</u>	<u>2009</u>
Cash and short term investments	\$ -	\$ 199,232
Bonds and fixed income	8,411,196	8,096,242
Canadian equities	1,793,554	2,379,538
Foreign equities	<u>3,670,822</u>	<u>2,688,918</u>
	<u>\$ 13,875,572</u>	<u>\$ 13,363,930</u>

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

The cost of the investments is \$12,492,177 (2009 - \$12,937,958).

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

4. INTEREST IN LIFE INSURANCE POLICIES

The Foundation is the assignee and owner of life insurance policies with a cash surrender value of \$320,791 (2009 - \$267,471).

5. MANAGED FUNDS

Funds held on behalf of third parties of \$783,692 (2009- \$864,246) are pooled with the investments of the Foundation. Capital and related income (losses) earned on these funds are to be distributed by the owners. Investment income or losses are allocated to these funds in the proportion of their capital to the total capital. Investment fees of 0.1% of the beginning monthly fund balance are charged on these funds. The receipt and disbursement of these funds are not reflected in the statement of revenues and expenses and changes in net assets.

These funds are owned by St. Augustine's Anglican Church, Kiwanis Music Festival Trust, and Lethbridge Therapeutic Riding Association.

6. CAPITAL DISCLOSURE

The Foundation considers its capital to be its restricted and general community funds. Its restricted funds are designated by the donor for use and the general community funds are used according to the general distribution policies and guidelines as directed by the board of directors. The Foundation's objective when managing its capital is to safeguard its ability to continue as a going concern so it can continue to provide services to the donors and the community. Annual budgets are developed and monitored to ensure the Foundation's capital is maintained at an appropriate level.

7. SPECIAL EVENTS

	2010	2009
Revenue		
Friends dinner	\$ 17,150	\$ 12,508
Philanthropy Day luncheon	-	350
Funding forum	13,740	13,910
	30,890	26,768
Expenses		
Friends dinner	15,256	13,543
Philanthropy Day luncheon	-	-
Funding forum	12,736	9,882
	27,992	23,425
	\$ 2,898	\$ 3,343

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

8. LEASE COMMITMENT

The Foundation leases its premises under a lease agreement which expires October 31, 2011. The annual rental is \$11,340 plus GST.

The Foundation leases a photocopier. The lease expires in April 2013 and has an annual cost of \$2,256 plus GST.

9. INVESTMENT INCOME

During the year the Foundation earned investment income from which investment management fees of \$53,898 (2009 - \$48,923) have been deducted.

10. FUND TRANSFERS

During the year the Foundation internally restricted \$25,000 (2009 - nil) for operations in 2011.

During the year the foundation transferred \$20,828 (2009 - \$10,337) from emerging funds to designated funds. Emerging funds are limited to \$10,000 after which they are transferred and become a designated fund.

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA

**SCHEDULE OF OPERATING EXPENSES
DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
Salaries and contract services	\$ 147,710	\$ 127,324
Advertising and promotion	9,700	6,835
Professional fees	42,789	26,695
Office and rent	28,479	23,758
Professional development	4,691	5,866
Technology	9,868	4,845
GST	4,682	3,189
Special events (Note 7)	<u>(2,898)</u>	<u>(3,343)</u>
	245,021	195,169
Less recovered expenses	<u>4,565</u>	<u>5,500</u>
	240,456	189,669
Less portion covered by managed funds	<u>8,812</u>	<u>8,925</u>
	<u>\$ 231,644</u>	<u>\$ 180,744</u>
 Fund Allocation:		
General Community Funds	\$ 206,198	\$ 156,442
Field of Interest Funds	3,930	3,911
Designated Funds	<u>21,516</u>	<u>20,391</u>
	<u>\$ 231,644</u>	<u>\$ 180,744</u>