

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

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* Denotes CA who practices as a Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Community Foundation of Medicine Hat and Southeastern Alberta

We have audited the accompanying financial statements of COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN ALBERTA, which comprise the statement of financial position as at JUNE 30, 2016, the statement of operations, the statement of changes in undistributed income and fund balances, and statement of 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 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 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.

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INDEPENDENT AUDITOR'S REPORT (continued)

We believe that the audit evidence we have obtained in our audit 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 Medicine Hat and Southeastern Alberta as at June 30, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements as at June 30, 2015 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated September 17, 2015.

As part of our audit of the 2016 financial statements, we also audited the adjustments described in Note 3 that were applied to amend the 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 financial statements of the foundation other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements taken as a whole.

Bernad Vaskenburg & Associates
Chartered Accountants

Medicine Hat, Alberta
November 17, 2016

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016**

	2016	2015 Restated (Note 3)
<hr/>		
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 192,515	\$ 220,033
Accounts receivable	12,894	500
GST receivable	5,903	3,902
Marketable securities (Note 5)	11,078,119	10,878,023
Prepaid expenses	<u>3,837</u>	<u>1,857</u>
	11,293,268	11,104,315
PROPERTY AND EQUIPMENT (Note 6)	6,591	8,482
CHARITABLE REMAINDER TRUST (Note 7)	<u>25,000</u>	<u>25,000</u>
TOTAL	\$ <u><u>11,324,859</u></u>	\$ <u><u>11,137,797</u></u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	\$ 17,301	\$ 11,447
Deferred contributions (Note 9)	75,808	90,935
Grants payable	<u>22,989</u>	<u>18,311</u>
	116,098	120,693
MANAGED FUNDS (Note 10)	<u>525,321</u>	<u>509,131</u>
	<u>641,419</u>	<u>629,824</u>
FUND BALANCES		
Smart & Caring Community Endowment Fund	4,857,745	4,915,357
Designated Endowment Fund	4,298,382	4,037,952
Operating Endowment Fund	1,496,832	1,518,596
Flow Through Fund	30,481	14,759
Administrative Fund	<u>-</u>	<u>21,309</u>
	<u>10,683,440</u>	<u>10,507,973</u>
TOTAL	\$ <u><u>11,324,859</u></u>	\$ <u><u>11,137,797</u></u>

Approved on behalf of the board

Director, 

Director, X 

COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN ALBERTA

STATEMENT OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2016

	Smart & Caring Community Endowment Fund	Designated Endowment Fund	Operating Endowment Fund	Restricted Flow Through Fund	Administrative Fund	2016	2015 Restated (Note 3)
REVENUE							
Investment income	357,270	298,004	112,093	742	-	768,109	758,816
Grants, donations & other income	<u>62,918</u>	<u>316,556</u>	<u>49,604</u>	<u>33,769</u>	<u>149,659</u>	<u>612,506</u>	<u>589,229</u>
	<u>420,188</u>	<u>614,560</u>	<u>161,697</u>	<u>34,511</u>	<u>149,659</u>	<u>1,380,615</u>	<u>1,348,045</u>
EXPENSES							
Grants	195,195	149,275	-	18,290	-	362,760	328,659
Investment fees	26,870	22,525	8,392	57	-	57,844	50,745
Operating expenses	-	-	-	-	421,577	421,577	319,796
	<u>222,065</u>	<u>171,800</u>	<u>8,392</u>	<u>18,347</u>	<u>421,577</u>	<u>842,181</u>	<u>699,200</u>
UNDISTRIBUTED INCOME (LOSS)	198,123	442,760	153,305	16,164	(271,918)	538,434	648,845
	<u>(169,065)</u>	<u>(140,447)</u>	<u>(53,110)</u>	<u>(346)</u>	<u>-</u>	<u>(362,968)</u>	<u>291,437</u>
Unrealized gains (losses) on sale of investments							
	<u>29,058</u>	<u>302,313</u>	<u>100,195</u>	<u>15,818</u>	<u>(271,918)</u>	<u>175,466</u>	<u>940,282</u>
INCREASE (DECREASE) IN UNDISTRIBUTED INCOME:							

COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN ALBERTA

STATEMENT OF CHANGES IN UNDISTRIBUTED INCOME AND FUND BALANCES JUNE 30, 2016

	Smart & Caring Community Endowment Fund	Designated Endowment Fund	Operating Endowment Fund	Restricted Flow Through Fund	Administrative Fund	2016	2015 Restated (Note 3)
CAPITAL, BEGINNING OF YEAR	4,117,888	3,452,259	1,366,318	-	-	8,936,465	8,307,065
Donations transferred from undistributed income	62,918	316,556	49,604	-	-	429,078	436,903
Transfer of Preservation of Capital	-	-	-	-	-	-	192,497
CAPITAL, END OF YEAR	<u>4,180,806</u>	<u>3,768,815</u>	<u>1,415,922</u>	-	-	<u>9,365,543</u>	<u>8,936,465</u>
UNDISTRIBUTED INCOME (LOSS), BEGINNING OF YEAR	797,469	585,693	152,278	14,759	21,309	1,571,508	1,260,626
Increase (decrease) in undistributed income:	29,058	302,313	100,195	15,818	(271,918)	175,466	940,282
Interfund transfers (Notes 12 & 17)	(37,500)	-	(50,160)	-	87,660	-	-
Administrative Charge (Note 13)	(49,170)	(41,884)	(15,445)	(96)	106,595	-	-
Operating Endowment Fund Grant (Note 14)	-	-	(56,354)	-	56,354	-	-
Donations included in undistributed income transferred to capital	(62,918)	(316,556)	(49,604)	-	-	(429,078)	(436,903)
Transfers out of Preservation of Capital	-	-	-	-	-	-	(192,497)
UNDISTRIBUTED INCOME (LOSS), END OF YEAR	<u>676,939</u>	<u>529,566</u>	<u>80,910</u>	<u>30,481</u>	<u>-</u>	<u>1,317,896</u>	<u>1,571,508</u>
FUND BALANCES, END OF YEAR	<u>4,857,745</u>	<u>4,298,381</u>	<u>1,496,832</u>	<u>30,481</u>	<u>-</u>	<u>10,683,439</u>	<u>10,507,973</u>

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	2016	2015 Restated (Note 3)
OPERATING ACTIVITIES		
Cash Receipts	\$ 596,598	\$ 613,944
Cash paid to suppliers, employees and grant recipients	<u>(570,043)</u>	<u>(620,583)</u>
	26,555	(6,639)
INVESTING ACTIVITIES		
Proceeds on disposal of marketable securities	290,563	219,744
Purchase of marketable securities	<u>(343,362)</u>	<u>(201,405)</u>
Purchase of capital assets	<u>(1,274)</u>	<u>-</u>
	<u>(27,518)</u>	<u>11,700</u>
FINANCING ACTIVITIES		
Managed funds received	<u>-</u>	<u>40,000</u>
INCREASE (DECREASE) IN CASH	(27,518)	51,700
CASH, BEGINNING OF YEAR	<u>220,033</u>	<u>168,333</u>
CASH, END OF YEAR	<u><u>\$ 192,515</u></u>	<u><u>\$ 220,033</u></u>

COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN ALBERTA

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

1) NATURE OF OPERATIONS

Community Foundation of Medicine Hat and Southeastern Alberta ("the Foundation") was enabled by the Medicine Hat Community Foundation Act, a special statute enacted by the Legislative Assembly of the Province of Alberta on June 26, 1992. The Foundation is a charitable organization registered under the Income Tax Act (Canada) and as such is exempt from income taxes and able to issue donation receipts for income tax purposes.

The Foundation assembles and administers a pool of capital, the income from which is distributed to worthy charitable and community causes as determined by its board of directors.

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.

As donors have provided amounts for special purposes, the Statement of Changes in Undistributed Income and Fund Balances and Statement of Operations have been presented in a manner which segregates the Smart & Caring Community Endowment Fund (unrestricted) from the Designated Endowment Fund (for special purposes), the Operating Fund (to aid in administrative expenses), the Flow Through Fund (third-party donations directed through the Foundation) and the Administrative Fund (for administrative expenses).

The revenues and expenses related to the collection of unrestricted donations and fundraising activities are reported in the Smart & Caring Community Endowment Fund. The income earned by this fund is to be distributed as determined by the Board of Directors.

The Designated Endowment Fund reports resources contributed to the Foundation with the stipulation that the capital amount be permanently retained. Grants are distributed for the designated purposes from the income earned.

The Operating Endowment Fund reports resources contributed to the Foundation with the stipulation that the capital amount be preserved to fund administrative expenses.

The Restricted Flow Through Fund reports resources contributed to the Foundation with the stipulation that the entire capital amount be paid to another charitable organization.

The Administrative Fund reports resources contributed to the Foundation with the stipulation that the capital amount be used to directly fund administrative expenses. Revenue and expenditures for operations of the Foundation and for the maintenance of the common elements are reported in the Statement of Operations.

(b) Cash

Cash consists of balances with financial institutions.

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Marketable securities

Marketable securities are carried at market value, as determined by the independent investment firm that holds the marketable securities.

(d) Property and Equipment

Property and equipment is recorded at cost. The Foundation provides for amortization using the declining balance method at rates designed to amortize the cost of the property and equipment over its estimated useful life. The annual amortization rates are as follows:

Amortization of leasehold improvements is recorded using the straight-line method over the term of the lease.

Equipment	Declining balance	20%
Computer equipment	Declining balance	30-55%
Computer software	Declining balance	100%

(e) Impairment of long-lived assets

The Foundation tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(f) Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions.

Contributions, such as grants bequests, and other donations, are recorded when received or as a receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions which the donor has required to be held in perpetuity are recognized as revenue in an endowment fund. Restricted contributions are recognized as revenue in the Restricted Flow Through Fund. Restricted contributions for which no separate restricted fund exists are reported in the Administrative Fund and are accounted for using the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue in the reported in the Smart & Caring Community Endowment Fund or the Administrative Fund.

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized capital gains and losses are recognized when earned. Unrealized gains and losses are recognized at the end of each month, based on their fair market value.

(g) Grant expenses

Grant expenses are recorded in the year approved.

COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN ALBERTA

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Donated material and services

Donated materials and services are recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the Foundation's operations and would otherwise have been purchased.

(i) Measurement uncertainty

The preparation of financial statements in conformity 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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

(j) Financial instruments

(i) Measurement of financial instruments

The Foundation initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

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 net income.

Financial assets measured at amortized cost include cash, accounts receivable and charitable remainder trust.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, grants payable, and managed funds.

Financial assets measured at fair value include marketable securities.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- ◆ the present value of the cash flows expected to be generated by the asset or group of assets;
- ◆ the amount that could be realized by selling the assets or group of assets;
- ◆ the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When events occur after impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN ALBERTA

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

3) RESTATEMENT OF PRIOR YEAR FIGURES

The Foundation determined that in the prior year internally restricted funds had been recognized in accordance with standards intended for externally restricted funds. As a result, the Anniversary Grant payable has decreased by \$39,168, the opening Capital balance has increased by \$30,628, and grants, donations and other income has increased by \$8,540.

The Foundation determined the prior year endowment contributions were reported in accordance with the deferral method, rather than the restricted fund method. As a result, the total grants, donations and other income have increased by \$428,364.

The Foundation determined prior year revenue and expenses had been overstated by the reporting of interfund transfers on the statement of operations. As a result, grants, donations, and other income have decreased by \$93,744, grant expenses have decreased by \$73,992, operating expenses have increased by \$79,814, investment fees have increased by \$27, and administrative charges have decreased by \$99,646, for an overall increase in undistributed income of \$52.

The overall impact of the adjustments resulted in an increase to the June 30, 2015 Undistributed Income of \$436,956, and an increase to the Smart & Caring Community Endowment Fund, Designated Endowment Fund, Operating Endowment Fund, and Administrative Fund balances of \$18,829, \$14,480, \$5,859, and \$52 respectively.

Statement of Operations adjustments:

	2015 as previously stated Total	Smart & Caring Community Endowment Fund	Designated Endowment Fund	Operating Endowment Fund	Restricted Flow Through Fund	Administrative Fund	2015 Restated Total
REVENUE							
Investment income	758,816	-	-	-	-	-	758,816
Grants, donations & other income	<u>246,070</u>	<u>74,761</u>	<u>331,082</u>	<u>31,060</u>	-	<u>(93,744)</u>	<u>589,229</u>
	<u>1,004,886</u>	<u>74,761</u>	<u>331,082</u>	<u>31,060</u>	-	<u>(93,744)</u>	<u>1,348,045</u>
EXPENSES							
Grants	402,651	(20,000)	-	(52,725)	-	(1,267)	328,659
Investment fees	50,718	-	-	-	-	27	50,745
Operating expenses	239,982	-	-	-	-	79,814	319,796
Administrative Charges	<u>99,595</u>	<u>(47,708)</u>	<u>(37,325)</u>	<u>(14,562)</u>	<u>(51)</u>	<u>51</u>	<u>-</u>
	<u>792,946</u>	<u>(67,708)</u>	<u>(37,325)</u>	<u>(67,287)</u>	<u>(51)</u>	<u>78,625</u>	<u>699,200</u>
UNDISTRIBUTED INCOME	<u>211,940</u>	<u>142,469</u>	<u>368,407</u>	<u>98,347</u>	<u>51</u>	<u>(172,369)</u>	<u>648,845</u>
Unrealized gains (losses) on sale of investments	<u>291,437</u>	-	-	-	-	-	<u>291,437</u>
INCREASE IN UNDISTRIBUTED INCOME	<u><u>503,377</u></u>	<u><u>142,469</u></u>	<u><u>368,407</u></u>	<u><u>98,347</u></u>	<u><u>51</u></u>	<u><u>(172,369)</u></u>	<u><u>940,282</u></u>

COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN ALBERTA

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

3) RESTATEMENT OF PRIOR YEAR FIGURES (continued)

Statement of Changes in Undistributed Income and Fund Balances adjustments:

	2015 As previously stated Total	Smart & Caring Community Endowment Fund	Designated Endowment Fund	Operating Endowment Fund	Restricted Flow Through Fund	Administrative Fund	2015 Restated Total
CAPITAL, BEGINNING	8,276,437	14,702	11,332	4,594	-	-	8,307,065
Donations	428,364	4,128	3,147	1,265	-	-	436,904
Transfer in of Preservation of Capital	<u>192,497</u>	-	-	-	-	-	<u>192,497</u>
CAPITAL, JUNE 30, 2015	<u>8,897,298</u>	<u>18,830</u>	<u>14,479</u>	<u>5,859</u>	-	-	<u>8,936,466</u>
UNDISTRIBUTED INCOME, BEGINNING	1,260,626	-	-	-	-	-	1,260,626
Increase (decrease) in undistributed income	503,379	142,469	368,407	98,347	51	(172,371)	940,282
Interfund Transfers	-	(20,000)	-	-	-	20,000	-
Administrative charges	-	(47,708)	(37,325)	(14,562)	(51)	99,646	-
Operating Endowment Fund Grant	-	-	-	(52,725)	-	52,725	-
Donations included in undistributed income transferred to capital	-	(74,761)	(331,082)	(31,060)	-	-	(436,903)
Transfer out of Preservation of Capital	<u>(192,497)</u>	-	-	-	-	-	<u>(192,497)</u>
UNDISTRIBUTED INCOME, JUNE 30, 2015	<u>1,571,508</u>	-	-	-	-	-	<u>1,571,508</u>
FUND BALANCES, JUNE 30, 2015	<u>10,468,806</u>	<u>18,830</u>	<u>14,479</u>	<u>5,859</u>	-	-	<u>10,507,974</u>

4) CASH

Included in cash is \$2,654 (2015 - \$2,677) received from the Government of Alberta under the Alberta Nonprofit/Voluntary Sector Initiative (ANVSI) which is to be disbursed by the Foundation in accordance with this agreement.

	2016	2015
Cash	\$ 189,861	\$ 217,356
Restricted cash - ANVSI	<u>2,654</u>	<u>2,677</u>
	<u>\$ 192,515</u>	<u>\$ 220,033</u>

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

5) MARKETABLE SECURITIES

	2016 Market	2016 Cost	2015 Market	2015 Cost
Mutual funds	\$ <u>11,078,119</u>	\$ <u>9,338,864</u>	\$ <u>10,878,023</u>	\$ <u>8,760,001</u>

6) PROPERTY AND EQUIPMENT

	2016 Cost	2016 Accumulated amortization	2016 Net	2015 Net
Equipment	\$ 20,629	\$ 20,144	\$ 485	\$ 607
Leasehold improvements	11,278	7,894	3,384	5,639
Computer equipment	6,820	4,098	2,722	2,236
Computer software	8,190	8,190	-	-
	\$ <u>46,917</u>	\$ <u>40,326</u>	\$ <u>6,591</u>	\$ <u>8,482</u>

7) CHARITABLE REMAINDER TRUST

In a prior year, the Foundation became the beneficiary of a charitable remainder trust in the amount of \$25,000 that has been recorded in the financial statements as a Smart & Caring Community Endowment Fund. At June 30, 2016 the fair market value was \$28,649 (2015 - \$28,915).

8) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade payables	\$ 15,600	\$ 11,447
Payroll liabilities	1,701	-
	\$ <u>17,301</u>	\$ <u>11,447</u>

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

9) DEFERRED CONTRIBUTIONS

	2016	2015
Enhanced Capacity Advancement Program	\$ 73,663	\$ 90,935
Canada Jobs Grant	2,145	-
	<u>\$ 75,808</u>	<u>\$ 90,935</u>

10) MANAGED FUNDS

The managed funds are not included in the fund balances of the Foundation as they are funds being held for other organizations. Capital and related income (losses) generated from the investment of these funds are to be distributed in accordance with other organizations directives. The ANVSI funds are held as cash to be distributed in the future in accordance with the related agreement. The receipts and disbursement of these funds are not reflected in the statement of operations and changes in the undistributed income and fund balances.

	2016	2015
Opening balance	\$ 509,131	\$ 435,117
Funding additions	16,190	79,574
Disbursements	-	(5,560)
	<u>\$ 525,321</u>	<u>\$ 509,131</u>
St. John's Presbyterian Church	\$ 194,090	\$ 189,753
Medicine Hat Catholic Education Foundation	114,385	111,828
Save Old Souls	71,685	70,083
Big Brothers Big Sisters of Medicine Hat	42,974	42,013
ANVSI	39,181	39,204
Brooks Public Library	38,816	37,949
Rotary Club of Medicine Hat	24,190	18,301
	<u>\$ 525,321</u>	<u>\$ 509,131</u>

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

11) PRESERVATION OF CAPITAL ADJUSTMENT

As part of its function in administering funds, the Foundation reinvests a portion of the net increase in the value of the investments into the capital funds in order to preserve their intended value and mitigate the effects of inflation. Preservation of capital is only undertaken in those years when investment returns exceed the amounts required for the disbursement of grants and to cover a portion of the administration costs. During 2016 nil (2015 - \$192,498) was reinvested into the funds as a preservation of capital adjustment.

12) INTERFUND TRANSFERS

The Foundation has transferred \$37,500 (2015 - \$20,000) to the Administrative Fund to fund program activities.

13) ADMINISTRATIVE CHARGES

As part of its operations, the Foundation calculates a fee to the endowment funds based on 1.0% (2015 - 1.0%) of the investments held for each fund, calculated quarterly. Administrative charges for 2016 were \$111,419 (2015 - \$103,704). Of this balance, \$4,824 (2015 - \$4,058) related to managed funds is recorded in grants, donations and other income, and \$106,595 (2015 - \$99,646) related to endowments held by the Foundation are recognized directly on the Statement of Changes in Undistributed Income and Fund Balances.

14) OPERATING ENDOWMENT FUND GRANT

As part of its operations, the Foundation calculates the grants to be paid based on 4.5% (2015 - 4.5%) of the three year average capital balances. Of this amount, 15% is transferred from the Operating Endowment Fund to the Administrative Fund to cover operating costs, 37% is paid out as grants from the Designated Endowment Fund, and the remaining 48% is paid out as grants from the Smart & Caring Endowment Fund.

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

15) RELATED PARTY TRANSACTIONS

The following donations were made by directors and staff:

	2016	2015
<hr/>		
Donations by directors:		
Smart & Caring Community Fund	\$ 4,650	\$ 6,000
Flow Through Fund	1,250	-
Operating Fund	1,000	12,500
Other income	610	765
Designated Fund	-	1,000
	<hr/>	<hr/>
	\$ 7,510	\$ 20,265
	<hr/>	<hr/>
Donations by staff members:		
Other income	\$ 360	\$ 1,515
E-CAP Sponsorship	105	350
Designated Fund	-	30
	<hr/>	<hr/>
	\$ 465	\$ 1,895
	<hr/>	<hr/>

These donations were conducted in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

16) CHARITABLE FUNDRAISING ACT OF ALBERTA

As required under Section 7(2) of the Regulations of the Charitable Fundraising Act of Alberta, the Foundation discloses that the service costs incurred for the purposes of soliciting contributions were nil (2015 - nil). Total amount paid as remuneration to employees whose principle duties involve fundraising was nil (2015 - nil).

No single disposition of contributions equalled or exceeded 10% of the gross contributions for the 12 month period ended June 30, 2016 (2015 - No single disposition of contributions equalled or exceeded 10% of the gross contributions).

17) SUBSEQUENT EVENTS

Subsequent to the year end, the Board made a motion to transfer \$50,160 from the Operating Endowment Fund to the Administrative Fund to cover the 2016 fiscal deficit.

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

18) COMPARATIVE FIGURES

The statement of financial position as at June 30, 2015 and the statement of operations, the statement of changes in undistributed income and fund balances, and statement of cash flows for the year then ended were reported on by another firm of Chartered Accountants who issued an unqualified opinion in their report dated September 17, 2015.

19) FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

The Foundation is exposed to the following risks in respect of certain of the financial instruments held:

(a) Market Risk

Market Risk is the risk that the value of a financial instrument will fluctuate as a result of changes to market prices. Market risk comprises of three types of risk: currency risk, interest rate risk, and other price risk. Of these risks, the Foundation is subject to interest rate risk.

(i) Interest Rate Risk

Interest rate risk relates to the risk that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Foundation. The Foundation manages its exposure through a combination of fixed and floating rate investments. The fixed rate investments are subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates. The floating rate investments are subject to interest rate cash flow risk, as the received cash flows will fluctuate as a result of changes in market rates. In the opinion of management the interest rate risk exposure to the Foundation is low.

(b) Liquidity Risk

The Society does have a liquidity risk in the accounts payable of \$17,301 (2015 - \$11,447). Liquidity risk is the risk that the Foundation will encounter difficulty meeting obligations associated with financial liabilities. The Foundation's current liquidity risk is low; however, the Foundation currently relies in part on future donations and grants to fund its operations.

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**SCHEDULE OF ADMINISTRATIVE FUND
JUNE 30, 2016**

Schedule 1

	2016	Restated (Note 3) 2015
REVENUE		
Administrative Operations (Schedule 2)	\$ 47,507	\$ 31,478
E-CAP Program (Schedule 3)	82,186	78,626
Vital Signs Program (Schedule 4)	7,966	7,730
Legacy Partnership Program (Schedule 5)	<u>12,000</u>	<u>12,000</u>
	<u>149,659</u>	<u>129,834</u>
EXPENSES		
Administrative Operations (Schedule 2)	292,143	192,834
E-CAP Program (Schedule 3)	82,186	78,626
Vital Signs Program (Schedule 4)	19,249	19,397
Legacy Partnership Program (Schedule 5)	<u>27,999</u>	<u>27,675</u>
	<u>421,577</u>	<u>318,532</u>
DECREASE IN UNDISTRIBUTED INCOME	\$ <u>(271,918)</u>	\$ <u>(188,698)</u>

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**SCHEDULE OF ADMINISTRATIVE OPERATIONS
JUNE 30, 2016**

Schedule 2

	2016	Restated (Note 3) 2015
REVENUE		
Grants, donations & other income	\$ 47,507	\$ 31,478
EXPENSES		
Salaries and benefits	140,971	118,315
Professional fees	108,833	12,254
Special events	7,154	12,799
Advertising and promotion	6,117	6,620
Telephone	5,787	5,681
Postage	4,548	2,333
Design and printing	4,433	1,736
Office	3,488	6,425
Office rent	3,458	4,658
Dues and memberships	2,070	3,727
Travel and seminars	1,832	13,798
Insurance	1,139	2,535
Utilities	836	1,053
Interest and bank charges	567	(211)
Amortization	910	1,110
	<u>292,143</u>	<u>192,833</u>
DECREASE IN UNDISTRIBUTED INCOME	\$ <u>(244,636)</u>	\$ <u>(161,355)</u>

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**SCHEDULE OF E-CAP PROGRAM
JUNE 30, 2016**

Schedule 3

	2016	2015
REVENUE		
Grants	\$ <u>82,186</u>	\$ <u>78,626</u>
EXPENSES		
Salaries and benefits	66,269	53,688
RAK printing and promotions	9,781	12,053
Website development	2,493	4,788
Office rent	740	-
Travel and meetings	648	804
Office	-	1,469
Evaluation	-	3,568
Amortization	<u>2,255</u>	<u>2,256</u>
	<u>82,186</u>	<u>78,626</u>
INCREASE (DECREASE) IN UNDISTRIBUTED INCOME	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**SCHEDULE OF VITAL SIGNS PROGRAM
JUNE 30, 2016**

Schedule 4

	2016	Restated (Note 3) 2015
REVENUE		
Grants, donations & other income	\$ <u>7,966</u>	\$ <u>7,730</u>
EXPENSES		
Design and printing	9,760	7,459
Contract expenses	6,150	4,300
Special events	2,283	2,745
Office	1,056	2,843
Postage	<u>-</u>	<u>2,050</u>
	<u>19,249</u>	<u>19,397</u>
INCREASE (DECREASE) IN UNDISTRIBUTED INCOME	\$ <u>(11,283)</u>	\$ <u>(11,667)</u>

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN
ALBERTA**

**SCHEDULE OF LEGACY PARTNERSHIP PROGRAM
JUNE 30, 2016**

Schedule 5

	<u>2016</u>	<u>2015</u>
REVENUE		
Grants, donations & other income	\$ <u>12,000</u>	\$ <u>12,000</u>
EXPENSES		
Contract expenses	27,675	27,675
Special events	<u>324</u>	<u>-</u>
	<u>27,999</u>	<u>27,675</u>
DECREASE IN UNDISTRIBUTED INCOME	\$ <u>(15,999)</u>	\$ <u>(15,675)</u>