

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

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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

**FINANCIAL INFORMATION  
JUNE 30, 2020**

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# Independent Auditor's Report

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**Grant Thornton LLP**  
2248 13th Avenue SE, #101  
Medicine Hat, AB  
T1A 8G6

T +1 403 527 8114  
F +1 403 526 0908  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

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

## Opinion

We have audited the financial statements of Community Foundation of Medicine Hat and Southeastern Alberta, which comprise the statement of financial position as at June 30, 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2020, and its results of operations and its cash flows in accordance with Canadian accounting standards for not-for-profit organizations.

## 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.

## Other matter

The financial statements of the Community Foundation of Medicine Hat and Southeastern Alberta for the year ended June 30, 2019, were audited by BVA Chartered Professional Accountants LLP who expressed an unmodified opinion on those statements on October 17, 2019. The partners and staff of BVA Chartered Professional Accountants LLP joined Grant Thornton LLP subsequent to October 17, 2019.

## 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 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.

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.

# Independent Auditor's Report (continued)

## 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.
- 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, we are 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 our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

Medicine Hat, Canada

*Grant Thornton LLP*

Chartered Professional Accountants

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

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2020**

	<b>2020</b>	<b>2019</b>
	<b><u>ASSETS</u></b>	
<b>CURRENT ASSETS</b>		
Cash	\$ 537,264	\$ 69,103
Accounts receivable	89,896	7,618
GST receivable	3,497	3,924
Marketable securities (Note 3)	15,872,684	12,970,189
Prepaid expenses	3,437	3,284
Charitable Remainder Trust	-	25,000
	<u>16,506,778</u>	<u>13,079,118</u>
<b>PROPERTY AND EQUIPMENT (Note 4)</b>	<u>36,301</u>	<u>29,560</u>
<b>TOTAL</b>	<b><u>\$ 16,543,079</u></b>	<b><u>\$ 13,108,678</u></b>
	<b><u>LIABILITIES</u></b>	
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 26,997	\$ 20,785
Deferred contributions (Note 6)	111,850	73,579
Grants payable	11,127	11,127
Managed funds current (Note 7)	<u>361,732</u>	<u>168,489</u>
	511,706	273,980
<b>MANAGED FUNDS (Note 7)</b>	48,629	256,680
<b>DEFERRED CAPITAL CONTRIBUTIONS (Note 8)</b>	<u>12,709</u>	<u>16,256</u>
	<u>573,044</u>	<u>546,916</u>
<b>FUND BALANCES</b>		
Smart & Caring Community Endowment Fund	6,015,580	5,318,261
Designated Endowment Fund	7,765,489	5,511,200
Operating Endowment Fund	1,846,357	1,723,341
Flow Through Fund	313,237	6,388
Administrative Fund	<u>29,372</u>	<u>2,572</u>
	<u>15,970,035</u>	<u>12,561,762</u>
<b>TOTAL</b>	<b><u>\$ 16,543,079</u></b>	<b><u>\$ 13,108,678</u></b>

Approved on behalf of the board

Director, \_\_\_\_\_

Director, \_\_\_\_\_

# COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN ALBERTA

## STATEMENT OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2020

	Smart & Caring Community Endowment Fund	Designated Endowment Fund	Operating Endowment Fund	Restricted Flow Through Fund	Administrative Fund	2020	2019
<b>REVENUE</b>							
Realized gain (loss) on sale of investments	(447)	(518)	(163)	(1)	-	(1,129)	(22,030)
Investment income	420,292	502,154	144,625	510	-	1,067,581	808,752
Grants, donations & other income	<u>1,227,828</u>	<u>2,708,160</u>	<u>43,994</u>	<u>607,270</u>	<u>169,920</u>	<u>4,757,172</u>	<u>703,303</u>
	<u>1,647,673</u>	<u>3,209,796</u>	<u>188,456</u>	<u>607,779</u>	<u>169,920</u>	<u>5,823,624</u>	<u>1,490,025</u>
<b>EXPENSES</b>							
Grants (Note 9)	181,449	200,827	-	300,142	-	682,418	417,013
Investment fees	26,300	32,088	8,932	30	-	67,350	61,705
Operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>358,485</u>	<u>358,485</u>	<u>325,347</u>
	<u>207,749</u>	<u>232,915</u>	<u>8,932</u>	<u>300,172</u>	<u>358,485</u>	<u>1,108,253</u>	<u>804,065</u>
<b>UNDISTRIBUTED INCOME (LOSS)</b>	<u>1,439,924</u>	<u>2,976,881</u>	<u>179,524</u>	<u>307,607</u>	<u>(188,565)</u>	<u>4,715,371</u>	<u>685,960</u>
Net change in unrealized gain (loss) of investments	<u>(519,672)</u>	<u>(610,433)</u>	<u>(176,296)</u>	<u>(697)</u>	<u>-</u>	<u>(1,307,098)</u>	<u>(392,641)</u>
<b>INCREASE (DECREASE) IN UNDISTRIBUTED INCOME</b>	<u><u>920,252</u></u>	<u><u>2,366,448</u></u>	<u><u>3,228</u></u>	<u><u>306,910</u></u>	<u><u>(188,565)</u></u>	<u><u>3,408,273</u></u>	<u><u>293,319</u></u>

# COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN ALBERTA

## STATEMENT OF CHANGES IN UNDISTRIBUTED INCOME AND FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2020

	Smart & Caring Community Endowment Fund	Designated Endowment Fund	Operating Endowment Fund	Restricted Flow Through Fund	Administrative Fund	2020	2019
<b>CAPITAL, BEGINNING OF YEAR</b>	4,537,324	4,870,194	1,626,819	-	-	<b>11,034,337</b>	<b>10,499,370</b>
Donations transferred from undistributed income	1,227,828	2,708,160	43,994	-	-	<b>3,979,982</b>	<b>534,967</b>
Transfer of Preservation of Capital (Note 10)	<u>112,785</u>	<u>116,828</u>	<u>39,558</u>	<u>-</u>	<u>-</u>	<b>269,171</b>	-
<b>CAPITAL, END OF YEAR</b>	<u>5,877,937</u>	<u>7,695,182</u>	<u>1,710,371</u>	<u>-</u>	<u>-</u>	<b>15,283,490</b>	<b>11,034,337</b>
<b>UNDISTRIBUTED INCOME (LOSS), BEGINNING OF YEAR</b>	780,937	641,006	96,522	6,388	2,572	<b>1,527,425</b>	<b>1,769,073</b>
Increase (decrease) in undistributed income	920,252	2,366,448	3,228	306,910	(188,565)	<b>3,408,273</b>	<b>293,319</b>
Interfund transfers (Note 11)	(166,434)	(41,290)	207,724	-	-	-	-
Administrative Charge (Note 12)	(56,499)	(70,869)	(18,513)	(61)	145,942	-	-
Operating Endowment Fund Grant (Note 13)	-	-	(69,423)	-	69,423	-	-
Donations included in undistributed income transferred to capital	(1,227,828)	(2,708,160)	(43,994)	-	-	<b>(3,979,982)</b>	<b>(534,967)</b>
Transfers out of Preservation of Capital (Note 10)	<u>(112,785)</u>	<u>(116,828)</u>	<u>(39,558)</u>	<u>-</u>	<u>-</u>	<b>(269,171)</b>	-
<b>UNDISTRIBUTED INCOME (LOSS), END OF YEAR</b>	<u>137,643</u>	<u>70,307</u>	<u>135,986</u>	<u>313,237</u>	<u>29,372</u>	<b>686,545</b>	<b>1,527,425</b>
<b>FUND BALANCES, END OF YEAR</b>	<u><b>6,015,580</b></u>	<u><b>7,765,489</b></u>	<u><b>1,846,357</b></u>	<u><b>313,237</b></u>	<u><b>29,372</b></u>	<u><b>15,970,035</b></u>	<u><b>12,561,762</b></u>

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN  
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**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES</b>		
Cash receipts	\$ 5,151,685	\$ 616,414
Cash paid to suppliers, employees and grant recipients	<u>(1,030,368)</u>	<u>(351,508)</u>
	<u>4,121,317</u>	<u>264,906</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of marketable securities	3,289,820	544,996
Purchase of marketable securities	(6,925,614)	(506,519)
Purchase of property and equipment	<u>(15,362)</u>	<u>(13,774)</u>
	<u>(3,651,156)</u>	<u>24,703</u>
	<u>470,161</u>	<u>289,609</u>
<b>FINANCING ACTIVITIES</b>		
Repayments of managed funds	(2,000)	(286,795)
Managed funds received	<u>-</u>	<u>52,375</u>
	<u>(2,000)</u>	<u>(234,420)</u>
<b>INCREASE IN CASH</b>	468,161	55,189
<b>CASH, BEGINNING OF YEAR</b>	<u>69,103</u>	<u>13,914</u>
<b>CASH, END OF YEAR</b>	<u>\$ 537,264</u>	<u>\$ 69,103</u>

DRAFT October 7, 2020



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

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020**

### **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, 2020**

### **2) SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(c) Marketable securities**

Marketable securities are recorded at fair value.

#### **(d) Property and Equipment**

Property and equipment are 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 their estimated useful lives. The annual amortization rates are as follows:

Leasehold improvements	Straight-line	5 years
Computer software	Declining balance	30-100%
Computer equipment	Declining balance	55%
Equipment	Declining balance	20%

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

#### **(e) Impairment of long-lived assets**

The Foundation tests long-lived assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset 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 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 and 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 quarter, based on their fair market value.

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

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020**

### **2) SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(g) Managed Funds**

Managed funds are owned by other organizations and pooled with the Foundation's assets for investment purposes. These managed fund assets are presented with the Foundation's marketable securities but are offset by managed funds liabilities on the Statement of Financial Position. Any revenue and expenses accruing to these funds are not reflected in the Statement of Operations or Changes in Undistributed Income and Fund Balances.

#### **(h) Grant expenses**

Grant expenses are recorded in the year approved.

#### **(i) 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.

#### **(j) Accounting estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's knowledge of current events and actions that the Foundation may undertake in the future. Items included in these financial statements subject to such estimates include useful lives of property and equipment, impairment of long lived assets, carrying value of accounts receivable, completeness of accrued liabilities and valuation of investments. Actual results may differ from these estimates.

#### **(k) Financial instruments**

The Foundation considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Foundation accounts for the following as financial instruments:

- cash
- accounts receivable
- marketable securities
- accounts payable and accrued liabilities

A financial asset or liability is recognized when the Foundtaion becomes party to contractual provisions of the instrument.

The Foundation initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Foundation subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in marketable securities, which are subsequently measured at fair value. Changes in fair value are recognized in the statement of operations.

# COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN ALBERTA

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

### 2) SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (k) Financial instruments (continued)

The Foundation removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the statement of operations.

### 3) MARKETABLE SECURITIES

	2020 Market	2020 Cost	2019 Market	2019 Cost
Leith Wheeler Diversified Pooled Fund Series A	\$ 15,872,684	\$ 17,624,492	\$ 12,970,189	\$ 13,379,220

### 4) PROPERTY AND EQUIPMENT

	2020 Cost	2020 Accumulated amortization	2020 Net	2019 Net
Leasehold improvements	\$ 39,809	\$ 19,362	\$ 20,447	\$ 26,154
Computer software	20,984	9,149	11,835	-
Computer equipment	11,636	7,815	3,821	3,158
Equipment	20,629	20,431	198	248
	\$ 93,058	\$ 56,757	\$ 36,301	\$ 29,560

### 5) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Trade payables	\$ 16,261	\$ 15,983
Payroll liabilities	10,735	4,802
	\$ 26,997	\$ 20,785

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN  
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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**6) DEFERRED CONTRIBUTIONS**

	<b>2020</b>	<b>2019</b>
Rural Communities Grant	\$ 47,942	\$ 65,579
Family and Community MSP	33,235	-
Community Foundation of Canada ECSF Grant	25,916	-
Medicine Hat College - 20/21 student grant	3,750	-
Government of Canada summer student grant	1,007	-
RBC FL Community Challenge	-	8,000
	<u>\$ 111,850</u>	<u>\$ 73,579</u>

During 2019 the Foundation entered into an agreement to receive funding in the amount of \$281,269 to cover wages of the Rural Community Program for the period January 1, 2019 to February 28, 2022. As at year end the Foundation had received \$210,952 of this grant, of which \$163,010 had been spent. The balance of the grant will be received in annual instalments over the grant term.

**7) MANAGED FUNDS**

Managed funds are not included in the fund balances of the Foundation as they are funds being held for other organizations. These amounts are pooled with the Foundation's endowment funds for investment purposes but belong to the following charitable organizations:

	<b>2020</b>	<b>2019</b>
<b>Current Funds</b>		
Medicine Hat Catholic Education Foundation - Knights of Columbus	\$ 198,328	\$ -
Medicine Hat Catholic Education Foundation	130,100	134,186
Rotary Club of Medicine Hat	33,304	34,303
	<u>361,732</u>	<u>168,489</u>
<b>Long Term Funds</b>		
Town of Oyen - Oyen Handibus	48,629	50,156
Medicine Hat Catholic Education Foundation - Knights of Columbus	-	206,524
	<u>48,629</u>	<u>256,680</u>
<b>Total</b>	<u>\$ 410,361</u>	<u>\$ 425,169</u>

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN  
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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**7) MANAGED FUNDS (CONTINUED)**

Capital and related income (losses) generated from the investment of these funds are to be distributed in accordance with the other organizations directives. The receipts and disbursement of these funds are not reflected in the statement of operations and changes in the undistributed income and fund balances.

	<b>2020</b>	<b>2019</b>
Opening balance	\$ 425,169	\$ 653,037
Additions	-	52,375
Income allocation	(9,144)	11,048
Administrative Fee (1.0%)	(4,144)	(4,499)
Withdrawals	(2,000)	(286,792)
<b>Ending balance</b>	<b>\$ 410,361</b>	<b>\$ 425,169</b>

**8) DEFERRED CAPITAL CONTRIBUTIONS**

Deferred contributions related to property and equipment represents the unamortized portions of restricted contributions used to purchase equipment and leasehold improvements. Deferred contributions are amortized at the same rate as the assets to which they relate. The changes in the deferred contributions balance for the year are as follows:

	<b>2020</b>	<b>2019</b>
Opening Balance	\$ 16,256	\$ -
Add: Contributions	-	17,734
Deduct: Amount amortized to revenue	(3,547)	(1,478)
<b>Ending balance</b>	<b>\$ 12,709</b>	<b>\$ 16,256</b>

**9) GRANTS PAID ALLOCATION**

Grants paid are based on a board approved percentage of the previous three year average capital balance for both the Smart & Caring Community Endowment Fund and Designated Endowment Fund. As such the approved amount of grants to be paid for the year were \$200,467 (2019 - \$194,019) for Smart & Caring Community grants and \$200,273 (2019 - \$182,654) for the Designated grants, based on 4.5% (2019 - 4.5%). This comprises 85% (2019 - 85%) of the total 4.5% disbursement quota of the Foundation. Actual grants disbursed may vary due to several factors, including quality of applications and other identified areas of need.

**COMMUNITY FOUNDATION OF MEDICINE HAT AND SOUTHEASTERN  
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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**10) 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 2020 \$269,171 (2019 - nil) was reinvested into the funds as an optional preservation of capital adjustment, as the investment returns did not require an adjustment to be made.

**11) INTERFUND TRANSFERS**

The Foundation has transferred \$166,434 (2019 - nil) from the Smart & Caring Community Endowment Fund to the Operating Endowment Fund, and \$41,290 from the Designated Endowment Fund to the Operating Endowment Fund as directed by the board.

**12) ADMINISTRATIVE CHARGES**

As part of its operations, the Foundation calculates a fee to the endowment funds based on 1.0% (2019 - 1.0%) of the investments held for each fund, calculated quarterly. Administrative charges were \$150,086 (2019 - \$127,874). Of this balance, \$4,144 (2019 - \$4,499) relates to managed funds, and \$145,942 (2019 - \$123,375) relates to endowments held by the Foundation and is recognized directly on the Statement of Changes in Undistributed Income and Fund Balances.

**13) OPERATING ENDOWMENT FUND GRANT**

As part of its operations, the Foundation calculates an operating endowment fund grant to be paid based on 4.5% (2019 - 4.5%) of the previous three year average Operating Endowment Fund capital balance. This amount is transferred from the Operating Endowment Fund to the Administrative Fund to cover operating costs. This comprises 15% (2018 - 15%) of the total 4.5% disbursement quota of the Foundation.

**14) RELATED PARTY TRANSACTIONS**

The following donations were made by directors and staff:

	<b>2020</b>	<b>2019</b>
Donations by directors:		
Designated Endowment Fund	\$ 31,855	\$ 33,880
Operating Endowment Fund	7,230	4,550
Restricted Flow Through Fund	<u>3,100</u>	<u>-</u>
	<u>\$ 42,185</u>	<u>\$ 38,430</u>

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

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020**

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Donations by staff members:			
Designated Endowment Fund	\$	700	\$ 1,000
Smart & Caring Community Endowment Fund		125	-
Operating Endowment Fund		600	2,313
Restricted Flow Through Fund		100	-
Administrative Fund		<u>1,265</u>	<u>-</u>
	\$	<u>2,790</u>	\$ <u>3,313</u>

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.

### **15) 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 (2019 - nil). Total amount paid as remuneration to employees whose principle duties involve fundraising was nil (2019 - nil).

No single disposition of contributions equalled or exceeded 10% of the gross contributions for the 12 month period ended June 30, 2020 (2019 - No single disposition of contributions equalled or exceeded 10% of the gross contributions).

### **16) 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 and other price risk.



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

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020**

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### **16) FINANCIAL INSTRUMENTS (continued)**

#### **(i) Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will be affected by changes in interest rates. Interest rate risk predominantly impacts fixed-income securities. It is managed through an active asset-allocation and re-balancing process to determine how much of the investment portfolio should be allocated to fixed-income securities and through the active management of the duration of the fixed-income portfolio by professional investment managers engaged by the Foundation.

#### **(ii) Other Price Risk**

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). All investments represent a risk of loss of capital. The investment portfolio manages this risk through diversification of securities within the limits of the Foundation's stated investment objectives. The maximum risk resulting from financial instruments is determined by the market value of the financial instruments. Financial instruments held by the Foundation are susceptible to market price risk arising from uncertainties about future prices of the instruments.

### **17) SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization declared the outbreak of COVID 19 to be a Public Health Emergency of International Concern. The spread of COVID 19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non essential services, have triggered significant disruptions to businesses worldwide resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The outbreak of COVID 19 has not had a material impact on the financial position or results of operations of the Foundation at this point in time.

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID 19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of the consequences of COVID 19, as well as the impact on the financial position and results of operations of the Association for future periods.

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

**SCHEDULE OF ADMINISTRATIVE FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

Schedule 1

	2020	2019
<b>REVENUE</b>		
Administrative Operations (Schedule 2)	\$ 46,510	\$ 43,588
E-CAP Program (Schedule 3)	-	37,500
Vital Signs Program (Schedule 4)	12,000	8,430
Rural Community Program (Schedule 5)	<u>111,410</u>	<u>51,600</u>
	<u>169,920</u>	<u>141,118</u>
<b>EXPENSES</b>		
Administrative Operations (Schedule 2)	228,306	220,122
E-CAP Program (Schedule 3)	-	35,113
Vital Signs Program (Schedule 4)	6,384	8,560
Rural Community Program (Schedule 5)	<u>123,795</u>	<u>61,552</u>
	<u>358,485</u>	<u>325,347</u>
<b>DECREASE IN UNDISTRIBUTED INCOME</b>	\$ <u><u>(188,565)</u></u>	\$ <u><u>(184,229)</u></u>

DRAFT October 7, 2020

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

**SCHEDULE OF ADMINISTRATIVE OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2020**

Schedule 2

	2020	2019
<b>REVENUE</b>		
Grants, donations & other income	\$ 42,963	\$ 42,110
Amortization of deferred contributions	<u>3,547</u>	<u>1,478</u>
	<u>46,510</u>	<u>43,588</u>
<b>EXPENSES</b>		
Salaries and benefits	131,813	143,691
Advertising and promotion	18,790	15,734
Professional fees	17,617	14,363
Insurance	17,173	3,215
Telephone	9,944	10,868
Amortization	8,621	4,482
Office	5,668	7,327
Office rent	4,026	3,579
Dues and memberships	3,767	5,163
Special events	3,262	2,972
Travel and seminars	3,178	4,000
Utilities	2,468	2,139
Interest and bank charges	1,141	1,820
Postage	<u>838</u>	<u>769</u>
	<u>228,306</u>	<u>220,122</u>
<b>DECREASE IN UNDISTRIBUTED INCOME</b>	\$ <u>(181,796)</u>	\$ <u>(176,534)</u>

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

**SCHEDULE OF E-CAP PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2020**

Schedule 3

	<u>2020</u>	<u>2019</u>
<b>REVENUE</b>		
Grants	\$ -	\$ 37,500
<b>EXPENSES</b>		
Salaries and benefits	-	22,516
Sector Services	-	4,709
Travel and seminars	-	2,985
Advertising	-	2,333
Communications	-	1,288
Repairs and maintenance	-	848
Travel and meetings	-	293
Office	-	141
	<u>-</u>	<u>35,113</u>
<b>INCREASE (DECREASE) IN UNDISTRIBUTED INCOME</b>	\$ <u>-</u>	\$ <u>2,387</u>

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

**SCHEDULE OF VITAL SIGNS PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2020**

Schedule 4

	<u>2020</u>	<u>2019</u>
<b>REVENUE</b>		
Grants, donations & other income	\$ <u>12,000</u>	\$ <u>8,430</u>
<b>EXPENSES</b>		
Design and printing	4,100	179
Office	2,284	2,641
Special events	-	2,586
Miscellaneous	-	<u>3,154</u>
	<u>6,384</u>	<u>8,560</u>
<b>DECREASE IN UNDISTRIBUTED INCOME</b>	<u>\$ <u>5,616</u></u>	<u>\$ <u>(130)</u></u>

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

**SCHEDULE OF RURAL COMMUNITY PROGRAM  
YEAR ENDED JUNE 30, 2020**

Schedule 5

	<u>2020</u>	<u>2019</u>
<b>REVENUE</b>		
Grants, donations & other income	\$ <u>111,410</u>	\$ <u>51,600</u>
<b>EXPENSES</b>		
Salaries and benefits	112,196	51,600
Advertising	5,478	2,643
Telephone	3,456	1,658
Travel and meetings	1,048	3,289
Office	987	990
Design and printing	327	548
Meals and entertainment	303	588
Professional development	<u>-</u>	<u>236</u>
	<u>123,795</u>	<u>61,552</u>
<b>DECREASE IN UNDISTRIBUTED INCOME</b>	<b>\$ <u><u>(12,385)</u></u></b>	<b>\$ <u><u>(9,952)</u></u></b>

DRAFT October 7, 2020