

**Community Foundation of Medicine Hat and Southeastern Alberta**  
**Financial Statements**  
*June 30, 2009*

# Community Foundation of Medicine Hat and Southeastern Alberta Contents

*For the year ended June 30, 2009*

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To the Stakeholders of Community Foundation of Medicine Hat and Southeastern Alberta:

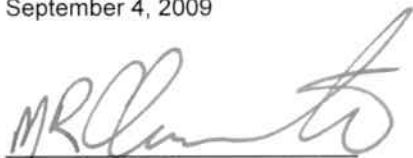
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely primarily of Directors who are neither management nor employees of the Foundation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Foundation's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

September 4, 2009



Executive Director

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## Auditors' Report

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

We have audited the statement of financial position of Community Foundation of Medicine Hat and Southeastern Alberta as at June 30, 2009 and the statements of fund balances, operations and changes in undistributed income (loss) and cash flows, including a supporting schedule, for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Medicine Hat, Alberta

September 4, 2009

*Meyus Norris Penny LLP*

Chartered Accountants

# Community Foundation of Medicine Hat and Southeastern Alberta Statement of Financial Position

*As at June 30, 2009*

	2009	2008
<b>Assets</b>		
<b>Current</b>		
Cash (Note 3)	194,909	34,749
Marketable securities (Note 4)	5,729,581	5,346,181
Accounts receivable	3,670	3,325
Prepaid expenses	172	-
	5,928,332	5,384,255
Property and equipment (Note 5)	3,162	4,103
Other assets (Note 6)	21,113	19,918
	5,952,607	5,408,276
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	9,654	8,537
Deferred revenue (Note 7)	30,000	7,500
Managed funds (Note 8)	147,568	20,068
	187,222	36,105
<b>Net Assets</b>		
Community endowment fund	3,042,156	3,242,445
Designated endowment fund	1,930,790	1,272,387
Operating endowment fund	733,381	785,334
Flow-through fund	10,181	6,526
Administrative fund	48,877	65,479
	5,765,385	5,372,171
	5,952,607	5,408,276

Approved on behalf of the Board

  
Director

  
Director

**Community Foundation of Medicine Hat and Southeastern Alberta**  
**Statement of Fund Balances**  
*For the year ended June 30, 2009*

	<i>Community Endowment Fund</i>	<i>Designated Endowment Fund</i>	<i>Operating Endowment Fund</i>	<i>Flow-Through Fund</i>	<i>Administrative Fund</i>	<b>2009</b>	2008
<b>Balance, beginning of year</b>	3,234,278	1,282,825	853,521	-	-	5,370,624	5,114,424
<b>Donations</b>	32,593	776,065	10,154	-	-	818,812	256,200
<b>Preservation of capital adjustment (Note 9)</b>	-	-	-	-	-	-	-
<b>Capital, end of year</b>	3,266,871	2,058,890	863,675	-	-	6,189,436	5,370,624
<b>Undistributed income (loss), end of year</b>	(224,715)	(128,100)	(130,294)	10,181	48,877	(424,049)	1,547
<b>Balance, end of year</b>	3,042,156	1,930,790	733,381	10,181	48,877	5,765,385	5,372,171

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

**Community Foundation of Medicine Hat and Southeastern Alberta**  
**Statement of Operations and Changes in Undistributed Income (Loss)**

*For the year ended June 30, 2009*

	<i>Community Endowment Fund</i>	<i>Designated Endowment Fund</i>	<i>Operating Endowment Fund</i>	<i>Flow-Through Fund</i>	<i>Administrative Fund</i>	<b>2009</b>	<b>2008</b>
<b>Revenues</b>							
Investment and interest	145,020	68,752	38,638	-	-	252,411	367,624
Grants, donations and administrative charges	-	-	-	6,750	198,690	205,440	247,123
Deferred capital contributions	-	-	-	-	-	-	741
	<b>145,020</b>	<b>68,752</b>	<b>38,638</b>	<b>6,750</b>	<b>198,690</b>	<b>457,851</b>	<b>615,488</b>
<b>Expenses</b>							
Operating ( <i>Schedule 1</i> )	-	-	-	-	215,291	215,291	211,311
Administrative charges ( <i>Note 10</i> )	32,161	15,315	8,571	-	-	56,047	51,891
Grants	-	47,011	-	3,095	-	50,106	205,807
Investment fees	20,143	9,522	5,368	-	-	35,033	36,469
	<b>52,304</b>	<b>71,848</b>	<b>13,939</b>	<b>3,095</b>	<b>215,291</b>	<b>356,477</b>	<b>505,478</b>
<b>Undistributed income (loss) before other items</b>	<b>92,716</b>	<b>(3,096)</b>	<b>24,699</b>	<b>3,655</b>	<b>(16,601)</b>	<b>101,374</b>	<b>110,010</b>
<b>Other items</b>							
Unrealized losses	(325,598)	(114,566)	(86,806)	-	-	(526,970)	(521,992)
<b>Increase (decrease) in undistributed income</b>	<b>(232,882)</b>	<b>(117,662)</b>	<b>(62,107)</b>	<b>3,655</b>	<b>(16,601)</b>	<b>(425,596)</b>	<b>(411,982)</b>
<b>Undistributed income (loss), beginning of year</b>	<b>8,167</b>	<b>(10,438)</b>	<b>(68,187)</b>	<b>6,526</b>	<b>65,479</b>	<b>1,547</b>	<b>413,529</b>
<b>Preservation of capital adjustment (<i>Note 9</i>)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Undistributed income (loss), end of year</b>	<b>(224,715)</b>	<b>(128,100)</b>	<b>(130,294)</b>	<b>10,181</b>	<b>48,878</b>	<b>(424,049)</b>	<b>1,547</b>

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

**Community Foundation of Medicine Hat and Southeastern Alberta**  
**Statement of Cash Flows**  
*For the year ended June 30, 2009*

	2009	2008
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Cash received from donations, grants and interest	423,962	530,115
Cash paid to suppliers and contractors	(154,442)	(110,113)
Cash paid to employees	(93,744)	(98,056)
Cash paid in grants	(50,106)	(210,807)
Interest paid	(258)	(350)
	<b>125,412</b>	<b>110,789</b>
<b>Financing activities</b>		
Managed funds received	127,500	-
Capital donations received	817,616	197,892
	<b>945,116</b>	<b>197,892</b>
<b>Investing activities</b>		
Purchase of marketable securities	(960,368)	(333,289)
Proceeds on disposal of marketable securities	50,000	50,000
	<b>(910,368)</b>	<b>(283,289)</b>
<b>Increase in cash resources</b>	<b>160,160</b>	<b>25,392</b>
<b>Cash resources, beginning of year</b>	<b>34,749</b>	<b>9,357</b>
<b>Cash resources, end of year</b>	<b>194,909</b>	<b>34,749</b>
<b>Cash resources are composed of:</b>		
Cash (Note 3)	194,909	34,749

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

# Community Foundation of Medicine Hat and Southeastern Alberta

## Notes to the Financial Statements

For the year ended June 30, 2009

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### 1. Nature of the Foundation

The Community Foundation of Medicine Hat and Southeastern Alberta ("the Foundation") is 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.

### 2. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

#### ***Fund accounting***

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

The Community Fund is for income earned to be distributed as determined by the Board of Directors.

The Designated Endowment Fund is for amounts donated to the Foundation for which the capital is intended to be preserved. Grants are made for designated purposes from the income earned.

The Operating Endowment Fund is for amounts donated to the Foundation for which the capital is intended to be preserved to fund administrative expenses.

Flow Through Funds represent amounts paid to the Foundation that the donor has directed the entire amount to be paid to another charitable organization.

Administrative Funds represent amounts donated to the Foundation which the capital is intended to directly fund administrative expenses.

#### ***Income and expense recognition***

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds.

The Foundation follows the deferral method of accounting for contributions. Restricted contributions related to general operations are recognized as revenue of the Community Fund and Leadership Initiative Fund in the year in which the related expenses are incurred. Endowment contributions are recognized as direct increases in net assets.

Unrestricted contributions are recognized as revenue of the Community Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is assured.

#### ***Cash and cash equivalents***

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

# Community Foundation of Medicine Hat and Southeastern Alberta

## Notes to the Financial Statements

For the year ended June 30, 2009

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### 2. Accounting policies (Continued from previous page)

#### **Marketable securities**

Marketable securities as described in Note 4, are valued at market value.

#### **Property and equipment**

Property and equipment are initially recorded at cost. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer equipment	declining balance	30 %
Furniture and fixtures	declining balance	20 %

#### **Bequests and other donations**

Bequests and other donations are recorded when they become receivable.

#### **Grants expenses**

Grant expenses are recorded in the year approved.

#### **Contributed materials and services**

Contributed 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.

#### **Deferred capital contributions**

Deferred capital contributions represent contributed property and equipment and restricted contributions to purchase property and equipment. These contributions are deferred and amortized on the same basis as the related property and equipment are amortized.

#### **Measurement uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where necessary. Amortization of property and equipment and related deferred capital contributions is based on the estimated useful lives of the property and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

#### **Long-lived assets**

Long-lived assets consist of property and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Foundation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings (loss) for the year.

Prices for similar items are used to measure fair value of long-lived assets.

# Community Foundation of Medicine Hat and Southeastern Alberta

## Notes to the Financial Statements

For the year ended June 30, 2009

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### 2. Accounting policies (Continued from previous page)

#### **Financial Instruments**

##### **Held for trading:**

The Organization has classified cash and marketable securities as held for trading. These instruments are initially recognized at their fair value, determined by published price quotations in an active market.

Fees incurred on an exchange of financial liabilities or a modification of the terms of financial liabilities that is accounted for as an extinguishment are included as part of the gain or loss on extinguishment, while any related other costs incurred are recognized in current year earnings. All fees and costs incurred on the exchange or modification of a financial liability not accounted for as an extinguishment, are recognized in current year earnings.

Held for trading financial instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value are recognized immediately in income.

##### **Held to maturity:**

The Organization has classified other assets as held to maturity. These assets are initially recognized at their fair value as determined by the actuarial value of the charitable trust.

Held to maturity financial assets are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life to its net carrying value. Net gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

##### **Other financial liabilities:**

The Organization has classified the following financial liabilities as other financial liabilities: accounts payable and accruals, grants payable and managed funds. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Fees incurred on an exchange of financial liabilities or a modification of the terms of financial liabilities that is accounted for as an extinguishment are included as part of the gain or loss on extinguishment, while any related other costs incurred are recognized in current year earnings. Any related other costs incurred are recognized in current year earnings.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to their net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value and are recognized in net income upon derecognition.

# Community Foundation of Medicine Hat and Southeastern Alberta

## Notes to the Financial Statements

*For the year ended June 30, 2009*

**2. Accounting policies** *(Continued from previous page)*

**Recent accounting pronouncements**

**Financial instruments deferral of section 3862 and 3863**

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation to replace Section 3861 Financial Instruments – Disclosure and Presentation. The effective date for these new Sections was for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, with earlier adoption permitted. However, in light of the uncertainty regarding the future direction in setting standards for not-for-profit organizations, the CICA released a decision to allow deferral of Sections 3862 and 3863 for this sector. Not-for-profit organizations should continue to apply Section 3861 until interim and annual financial statements with fiscal years beginning on or after October 1, 2008.

**3. Cash**

	<b>2009</b>	<b>2008</b>
Cash in bank	<b>194,909</b>	34,749

Included in cash is \$149,998 received from the Government of Alberta under the Alberta Nonprofit/Voluntary Sector Initiative which is to be disbursed by the Foundation in accordance with their agreement. Of these funds \$100,000 has been placed in a GIC bearing interest at 0.4%, maturing September 28, 2009.

**4. Marketable securities**

	<b>2009</b>	<b>2008</b>
Mutual funds	<b>5,729,581</b>	5,346,181

The market value of the marketable securities has been determined by the independent investment firm that holds the marketable securities.

**5. Property and equipment**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2009 Net book value</b>	<b>2008 Net book value</b>
Computer equipment	20,704	19,861	843	1,205
Furniture and fixtures	20,629	18,310	2,319	2,898
	<b>41,333</b>	<b>38,171</b>	<b>3,162</b>	<b>4,103</b>

**6. Other assets**

During a prior year, the Foundation became the beneficiary of a charitable remainder trust of \$25,000. At the date of funding of the trust, it was actuarially valued at \$12,497. It is actuarially valued at \$21,113 as at June 30, 2009 (\$19,918 in 2008) and the increase has been recorded in the financial statements as an increase to the Community Fund.

# Community Foundation of Medicine Hat and Southeastern Alberta

## Notes to the Financial Statements

*For the year ended June 30, 2009*

**7. Deferred revenue**

	2009	2008
Legacy club	7,500	7,500
ANVSI Administration	22,500	-
	30,000	7,500

**8. Managed funds**

The managed funds are funds that are being held for other organizations and as such are not included in the fund balances of the Foundation. The income generated from the investment of the Legacy funds is managed and distributed by the Foundation. The ANVSI funds are held as cash, to be distributed in the future in accordance with the related agreement.

**9. Preservation of capital adjustment**

As part of its function in administering its 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. There was no preservation of capital recorded in 2009 (2008 - nil).

**10. Administrative charges**

As part of its operations, the Foundation calculates a fee to the endowment funds based on 1.0% (1.0% in 2008) of the investments held for each fund, calculated quarterly. The corresponding revenue is recorded in grants, donations and administrative charges. Administrative charges for 2009 were \$56,047 (2008 - \$47,504). This is a non-cash charge and is not reflected in the Statement of Cash Flows.

**11. Related party transactions**

During the year, \$4,000 was donated to the Community Fund by four directors (\$3,650 in 2008 by four directors) and \$660 was donated to the Administrative Fund by two staff members (\$1,000 in 2008 by two staff members). The donations were conducted in the normal course of operations and were measured at exchange value, which is the amount of consideration established and agreed to by the related parties.

**12. Supplemental cash flow information**

The Operating Endowment Fund grant expenses of nil (2008 - \$38,379) is offset by a corresponding amount in Administrative Fund administrative charges revenue. This represents a 4.5% grant to fund administrative costs and is a non-cash transaction. During the year ended, shares with a fair market value of \$1,035 (2008 - \$58,308) were donated to the Foundation, and as such are a non-cash transaction

# Community Foundation of Medicine Hat and Southeastern Alberta

## Notes to the Financial Statements

For the year ended June 30, 2009

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### 13. Financial instruments

The Foundation as part of its operations carries a number of financial instruments. It is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

#### *Fair value of financial instruments*

The carrying amount of cash, marketable securities, accounts payable and accruals approximates their fair value due to the short-term maturities of these items.

#### *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through its normal operating and financing activities.

#### *Risk management policy*

The Foundation, as part of operations, has established avoidance of undue concentrations of risk as risk management objectives. In seeking to meet these objectives, the Foundation follows a risk management policy approved by its Board of Directors.

### 14. Capital management

The Foundation views its capital as the Foundation funds' balances. The Foundation is not subject to externally imposed capital requirements and invests in accordance with policies established by the Board of Directors and Investment Committee. In the absence of any direction by the donor and subject to the disbursement quota requirements of the Income Tax Act (Canada) and the regulations there under, contributions are to be invested and devoted in perpetuity for charitable purposes.

**Community Foundation of Medicine Hat and Southeastern Alberta**  
**Schedule 1 - Operating Expenses**

*For the year ended June 30, 2009*

	<i>2009</i>	<i>2008</i>
<b>Administration</b>		
Advertising and promotion	<b>4,652</b>	5,015
Amortization	<b>941</b>	1,241
Contract expenses	<b>58,018</b>	18,472
Design and printing	<b>10,164</b>	11,622
Dues and memberships	<b>2,527</b>	2,680
Equipment	<b>2,304</b>	957
Insurance	<b>2,203</b>	2,320
Interest and bank charges	<b>254</b>	350
Office	<b>3,432</b>	5,059
Office rent	<b>3,344</b>	3,391
Postage	<b>4,033</b>	3,973
Professional fees	<b>9,562</b>	7,360
Salaries and benefits	<b>93,744</b>	98,057
Special events	<b>7,364</b>	42,663
Telephone, fax and internet	<b>2,340</b>	3,279
Travel and seminars	<b>9,474</b>	4,077
Utilities	<b>935</b>	795
	<b>215,291</b>	211,311