

Community Foundation of Medicine Hat and Southeastern Alberta
Financial Statements
June 30, 2010

**Community Foundation of Medicine Hat and
Southeastern Alberta
Contents**

For the year ended June 30, 2010

	Page
Management's Responsibility	
Auditors' Report	
Financial Statements	
Statement of Financial Position.....	1
Statement of Fund Balances.....	2
Statement of Operations and Changes in Undistributed Income	3
Statement of Cash Flows.....	4
Notes to the Financial Statements.....	5
Schedules	
Schedule 1 - Operating Expenses	11

Management's Responsibility

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 13, 2010



Executive Director

Auditors' Report

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, 2010 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, 2010 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 13, 2010

Meyer Norris Penny LLP

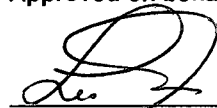
Chartered Accountants

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


As at June 30, 2010

	2010	2009
Assets		
Current		
Cash (Note 3)	210,497	194,909
Marketable securities (Note 4)	6,036,901	5,729,581
Accounts receivable	-	615
GST receivable	4,580	3,055
Prepaid expenses	-	172
	6,251,978	5,928,332
Property and equipment (Note 5)	6,540	3,162
Other assets (Note 6)	22,380	21,113
	6,280,898	5,952,607
Liabilities		
Current		
Accounts payable and accruals	9,239	9,654
Deferred revenue (Note 7)	23,500	30,000
Managed funds (Note 8)	186,496	147,568
	219,235	187,222
Net Assets		
Community endowment fund	3,124,357	3,042,156
Designated endowment fund	2,125,159	1,930,790
Operating endowment fund	733,121	733,381
Flow-through fund	3,542	10,181
Administrative fund	75,484	48,877
	6,061,663	5,765,385
	6,280,898	5,952,607

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements

Community Foundation of Medicine Hat and Southeastern Alberta
Statement of Fund Balances
For the year ended June 30, 2010

	<i>Community Endowment Fund</i>	<i>Designated Endowment Fund</i>	<i>Operating Endowment Fund</i>	<i>Flow-Through Fund</i>	<i>Administrative Fund</i>	<i>2010</i>	<i>2009</i>
Balance, beginning of year	3,266,871	2,058,890	863,675	-	-	6,189,436	5,370,624
Donations	37,125	190,799	980	-	-	228,904	818,812
Preservation of capital adjustment (Note 9)	-	-	-	-	-	-	-
Capital, end of year	3,303,996	2,249,689	864,655	-	-	6,418,340	6,189,436
Undistributed income (loss), end of year	(179,639)	(124,530)	(131,534)	3,542	75,484	(356,677)	(424,049)
Balance, end of year	3,124,357	2,125,159	733,121	3,542	75,484	6,061,663	5,765,385

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, 2010

	<i>Community Endowment Fund</i>	<i>Designated Endowment Fund</i>	<i>Operating Endowment Fund</i>	<i>Flow-Through Fund</i>	<i>Administrative Fund</i>	2010	2009
Revenues							
Investment and interest	94,526	60,751	25,095	-	-	180,372	252,411
Grants, donations and administrative charges	-	-	-	26,189	249,199	275,388	205,440
	94,526	60,751	25,095	26,189	249,199	455,760	457,851
Expenses							
Operating (Schedule 1)	-	-	-	-	222,594	222,594	215,291
Administrative charges (Note 10)	32,502	20,840	8,619	-	-	61,961	56,047
Grants	64,413	62,254	30,167	32,828	-	189,662	50,106
Investment fees	19,838	12,738	5,266	-	-	37,842	35,033
	116,753	95,832	44,052	32,828	222,594	512,059	356,477
Undistributed income (loss) before other items	(22,227)	(35,081)	(18,957)	(6,639)	26,605	(56,299)	101,374
Other items							
Unrealized gains (losses)	67,303	38,651	17,717	-	-	123,671	(526,970)
Increase (decrease) in undistributed income	45,076	3,570	(1,240)	(6,639)	26,605	67,372	(425,596)
Undistributed income (loss), beginning of year	(224,715)	(128,100)	(130,294)	10,181	48,879	(424,049)	1,547
Preservation of capital adjustment (Note 9)	-	-	-	-	-	-	-
Undistributed income (loss), end of year	(179,639)	(124,530)	(131,534)	3,542	75,484	(356,677)	(424,049)

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, 2010

	2010	2009
Cash provided by (used for) the following activities		
Operating activities		
Cash received from donations, grants and interest	449,260	423,962
Cash paid to suppliers and contractors	(139,311)	(154,442)
Cash paid to employees	(71,340)	(93,744)
Cash paid in grants	(189,662)	(50,106)
Interest paid	(517)	(258)
	48,430	125,412
Financing activities		
Managed funds received	104,098	127,500
Managed funds paid	(65,170)	-
Capital donations received	149,473	817,616
	188,401	945,116
Investing activities		
Purchase of marketable securities	(261,243)	(960,368)
Proceeds on disposal of marketable securities	40,000	50,000
	(221,243)	(910,368)
Increase in cash resources	15,588	160,160
Cash resources, beginning of year	194,909	34,749
Cash resources, end of year	210,497	194,909

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, 2010

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, 2010

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 %
Software	declining balance	100 %

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, 2010

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.

Loans and receivables:

The Organization has classified the following financial asset as loans and receivables: accounts receivable. These assets are initially recognized at their fair value, determined by terms of the agreement entered into. 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, and transaction costs are immediately recognized in income.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

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 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, 2010

3. Cash

	<i>2010</i>	<i>2009</i>
Cash in bank	210,497	194,909

Included in cash is \$164,927 (\$127,500 in 2009) 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 (\$100,000 in 2009) has been placed in a GIC bearing interest at 0.75% (0.4% in 2009), maturing September 6, 2010 (matured in October, 2009).

4. Marketable securities

	<i>2010</i>	<i>2009</i>
Mutual funds	6,036,901	5,729,581

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

5. Property and equipment

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2010 Net book value</i>	<i>2009 Net book value</i>
Computer equipment	20,704	20,114	590	843
Furniture and fixtures	20,629	18,774	1,855	2,319
Software	8,190	4,095	4,095	-
	49,253	42,983	6,540	3,162

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 \$22,380 as at June 30, 2010 (\$21,113 in 2009) 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, 2010

7. Deferred revenue

	2010	2009
Legacy club	7,500	7,500
ANVSI Administration	16,000	22,500
	23,500	30,000

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.

	2010	2009
Opening balance	147,568	20,068
Funding additions	104,098	127,500
Disbursements	(65,170)	-
	186,496	147,568

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 2010 (2009 - 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 2009) of the investments held for each fund, calculated quarterly. The corresponding revenue is recorded in grants, donations and administrative charges. Administrative charges for 2010 were \$61,961 (2009 - \$56,047). This is a non-cash charge and is not reflected in the Statement of Cash Flows.

11. Related party transactions

During the year, \$6,350 was donated to the Community Fund by ten directors (\$4,000 in 2009 by four directors) and \$580 was donated to the Administrative Fund by two staff members (\$660 in 2009 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 \$30,167 (2009 - nil) 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 \$79,431 (2009 - \$1,035) 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, 2010

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 receivable, 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, 2010

	2010	2009
Administration		
Advertising and promotion	6,606	4,652
Amortization	4,812	941
Contract expenses	42,344	48,215
Design and printing	7,681	10,164
Dues and memberships	2,722	2,527
Equipment	4,659	2,304
Insurance	2,378	2,203
Interest and bank charges	517	254
Office	7,444	3,432
Office rent	3,534	3,344
Postage	2,935	4,033
Professional fees	8,558	9,562
Salaries and benefits	116,531	103,547
Special events	6,502	7,364
Telephone, fax and internet	2,531	2,340
Travel and seminars	1,985	9,474
Utilities	855	935
	222,594	215,291
