

**COMMUNITY FOUNDATION OF  
LETHBRIDGE AND  
SOUTHWESTERN ALBERTA**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**CONTENTS**

<b>Independent Auditor's Report</b>	<b>1</b>
<b>Financial Statements</b>	
Statement of Financial Position	<b>3</b>
Statement of Revenue, Expenses, and Fund Balances	<b>4</b>
Statement of Cash Flows	<b>5</b>
Notes to Financial Statements	<b>6</b>
Schedule of Operating Expenses	<b>13</b>



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## Independent Auditor's Report

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

### Opinion

We have audited the financial statements of the Community Foundation of Lethbridge and Southwestern Alberta (the "Foundation"), which comprise of the statement of financial position as at December 31, 2020 and statements of revenue, expenses and fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2020, and its results of operations and its cashflows for the year then ended 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.

### Responsibilities of Management and Those Charged with Governance 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.

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.

### 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.

**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA  
STATEMENT OF FINANCIAL POSITION**

December 31	2020	2019
<b>ASSETS</b>		
Current		
Cash	\$ 73,487	\$ 99,395
Accounts receivable	<u>2,114</u>	<u>2,528</u>
	75,601	101,923
<b>Investments (Note 2)</b>	<b>32,626,399</b>	<b>29,680,749</b>
<b>Capital assets (Note 3)</b>	<b>679,849</b>	<b>699,409</b>
<b>Life insurance policies cash surrender value (Note 4)</b>	<u>189,171</u>	<u>167,287</u>
	<u><b>\$ 33,571,020</b></u>	<u><b>\$ 30,649,368</b></u>
<b>LIABILITIES</b>		
Current		
Accounts payable (Note 5)	\$ 19,445	\$ 26,807
Unamortized capital contributions (Note 6)	39,598	40,737
Managed funds (Note 7)	<u>1,997,520</u>	<u>1,878,031</u>
	<u>2,056,563</u>	<u>1,945,575</u>
<b>NET ASSETS</b>		
Fund balances		
General Community Fund	14,254,154	13,422,466
Field of Interest Funds	7,494,245	7,089,706
Designated Funds	<u>9,766,058</u>	<u>8,191,621</u>
	<u>31,514,457</u>	<u>28,703,793</u>
	<u><b>\$ 33,571,020</b></u>	<u><b>\$ 30,649,368</b></u>
Commitments (Note 8)		

**APPROVED BY THE BOARD:**

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR

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

**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA  
STATEMENT OF REVENUE, EXPENSES, AND FUND BALANCES**

For the year ended December 31	2020				2019
	General Community Fund	Field of Interest Funds	Designated Funds	Total	Total
<b>REVENUE</b>					
Contributions	\$ 124,648	\$ 86,743	\$ 1,144,410	\$ 1,355,801	\$ 1,247,084
Investment income (Note 9)	400,467	211,025	254,045	865,537	1,049,865
Capital gains (losses) - realized and unrealized	816,675	430,345	518,075	1,765,095	2,619,065
Change in cash surrender value of life insurance	21,883	-	-	21,883	10,180
Grants, sponsorships and administrative donations	1,311,915	-	-	1,311,915	3,269
Amortization of capital contributions	1,139	-	-	1,139	1,140
	<u>2,676,727</u>	<u>728,113</u>	<u>1,916,530</u>	<u>5,321,370</u>	<u>4,930,603</u>
<b>EXPENSES</b>					
Grants	1,621,822	234,004	236,695	2,092,521	787,961
Investment management fee	43,375	18,673	22,480	84,528	80,902
Operating expenses (Schedule)	180,842	70,897	81,918	333,657	356,918
	<u>1,846,039</u>	<u>323,574</u>	<u>341,093</u>	<u>2,510,706</u>	<u>1,225,781</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	830,688	404,539	1,575,437	2,810,664	3,704,822
<b>FUND BALANCE</b> , beginning of year	13,422,466	7,089,706	8,191,621	28,703,793	24,998,971
<b>FUND TRANSFERS</b> (Note 11)	1,000	-	(1,000)	-	-
<b>FUND BALANCE</b> , end of year	<u>\$ 14,254,154</u>	<u>\$ 7,494,245</u>	<u>\$ 9,766,058</u>	<u>\$ 31,514,457</u>	<u>\$ 28,703,793</u>

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

**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA  
STATEMENT OF CASH FLOWS**

For the year ended December 31	2020	2019
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATIONS</b>		
Excess (deficiency) of revenue over expenses	\$ 2,810,664	\$ 3,704,822
Items not involving cash		
Amortization on capital assets	19,561	19,561
Amortization of capital contributions	(1,139)	(1,139)
Realized and unrealized (gains) losses on investments	(1,765,095)	(2,619,065)
Decrease (increase) in cash surrender value of life insurance	(21,884)	(10,180)
	<u>1,042,107</u>	<u>1,093,999</u>
Net change in non-cash working capital balances		
Accounts receivable	414	(11)
Accounts payable	(7,363)	(12,383)
	<u>1,035,158</u>	<u>1,081,605</u>
<b>INVESTMENTS</b>		
Purchase of capital assets	-	-
Net disposal (purchase) of investments	(1,180,555)	(1,194,585)
Net change in managed funds	119,489	173,798
	<u>(1,061,066)</u>	<u>(1,020,787)</u>
<b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	<b>(25,908)</b>	<b>60,818</b>
<b>CASH, beginning of year</b>	<b>99,395</b>	<b>38,577</b>
<b>CASH, end of year</b>	<b>\$ 73,487</b>	<b>\$ 99,395</b>

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

**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) Purpose of the Organization

The Community Foundation of Lethbridge and Southwestern Alberta (the Foundation) was incorporated in 1966 by the Lethbridge Foundation Act of the Legislative Assembly of the Province of Alberta and then continued under the Community Foundation of Lethbridge and Southwestern Alberta Act, 2010, Alberta (the "Act"). The purpose of the Foundation is to act as a community leader and catalyst and to be a vehicle to provide a way for donors to improve their community forever. By building and holding a permanent endowment, the income is to be used to meet the changing needs and opportunities across all sectors of southwestern Alberta through grant making and community leadership projects.

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

b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations. Because certain donors have provided amounts for special purposes, the financial statements have been presented in a manner which segregates the General Community Fund (unrestricted) from Designated Funds and Field of Interest Funds (for special purposes).

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

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

c) Revenue Recognition

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

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

Investment income includes dividends and interest income which is recognized when earned. Realized and unrealized gains and losses are recognized at the end of each month, based on fair market value.

Contributions receivable are recognized as an asset when the amounts to be received can be reasonably estimated and ultimate collection reasonably assured.

Management fee of 1.00% annually is recognized monthly on the Managed Fund balance. This revenue is recognized as a reduction in operating expenses before allocation to the funds on the Schedule of Operating Expenses.

**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

d) Donations

Donations in kind and amounts contributed are included in contributions.

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

e) Cash

Cash includes cash on hand and balances with banks. Cash excludes cash held in investments.

f) Capital Assets

Capital assets are recorded at cost less amortization. Amortization is recorded over the estimated useful life of the asset. The condominium is amortized on straight-line basis over 40 years. Capital assets with a cost of less than \$5,000 are expensed in the year of acquisition.

g) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

h) Funds

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

**General Community Fund**

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

**Field of Interest Funds**

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

**Designated Funds**

Donors indicate one or more specific charities for support.

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



**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

i) Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

j) Contributed Services

Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

k) Allocation of Expenses

Expenses are allocated to the various funds as follows:

- 1.00% annually of the ending monthly balance of Managed Funds.
- 1.00% of the annual beginning fund balance of Field of Interest and Designated Funds.
- The remaining expenses are allocated to the General Community Fund.

**2. INVESTMENTS**

Investments consist of various marketable securities as follows:

	2020	2019
Cash and short term investments	\$ 1,057,247	\$ 1,213,973
Bonds and fixed income	13,141,457	12,319,583
Canadian equities	5,942,465	5,267,234
Foreign equities	12,485,230	10,879,959
	\$ 32,626,399	\$ 29,680,749

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

The book cost of the investments less cash and short term investments is \$25,679,825 (2019 - \$24,568,818).

Subsequent to year-end, as at February 28, 2021, the market value of the above investments were valued at \$31,949,767.

**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**3. CAPITAL ASSETS**

	<b>2020</b>	<b>2019</b>
Condominium - cost	<b>\$ 782,462</b>	\$ 782,462
Accumulated amortization	<b>(102,613)</b>	(83,053)
	<b>\$ 679,849</b>	\$ 699,409

**4. LIFE INSURANCE POLICIES CASH SURRENDER VALUE**

The Foundation is the assignee and owner of two universal life insurance policies with a cash surrender value of \$189,171 (2019 - two policies totaling - \$167,287). As the realizable amount in excess of the cash surrender value is not certain, the Foundation will record the benefits when the receipt of the proceeds can be estimated and collection is reasonably assured.

**5. ACCOUNTS PAYABLE**

Included in accounts payable is \$4,260 (2019 - \$4,611) in government remittances payable.

**6. UNAMORTIZED CAPITAL CONTRIBUTIONS**

Unamortized capital contributions represent the contribution discounted against the original purchase price of the condominium unit located at 1202 - 2nd Avenue South, Lethbridge. The changes in the unamortized capital contributions balance for the period are as follows:

	<b>2020</b>	<b>2019</b>
Beginning balance	<b>\$ 40,737</b>	\$ 41,877
Amounts amortized to revenue	<b>(1,139)</b>	(1,140)
Ending balance	<b>\$ 39,598</b>	\$ 40,737

**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**7. MANAGED FUNDS**

Funds held on behalf of third parties are pooled with the investments of the Foundation. On an annual basis, a portion of the investment income and any gains or losses on the market value of the investments are allocated to these funds. As such, these funds are reported at fair value on December 31. Management fees of 1% per year are charged monthly on these funds prior to the allocation of the current year's investment income and change in market value. The fees on Managed Funds in 2020 totaled \$18,551 (2019 - \$16,835). The receipt and disbursement of these funds are not reflected in the statement of revenues and expenses and changes in net assets of the Foundation.

The balances, reported at their fair values (net of management fees) at year end, are owned by:

	<u>2020</u>	<u>2019</u>
Lethbridge and District Music and Speech Arts Festival Society	\$ 532,982	\$ 490,405
Parish of St. Augustine's	895,915	850,524
Claresholm and District Health Foundation	471,740	437,394
Claresholm Seniors Drop-in Centre	<u>96,883</u>	<u>99,708</u>
	<u>\$ 1,997,520</u>	<u>\$ 1,878,031</u>

**8. COMMITMENTS**

The Foundation is committed to monthly payments of \$687 for condominium fees for its unit at 1202 - 2nd Avenue South, Lethbridge, Alberta.

**9. INVESTMENT INCOME**

Within the total investment income in 2020, the total interest income for the year is \$463,438 (2019 - \$447,306).

**10. SPECIAL EVENTS**

	<u>2020</u>	<u>2019</u>
Friends of the Foundation Dinner revenue	\$ (3,819)	\$ (8,713)
Friends of the Foundation Dinner expense	3,860	9,171
Donor Event	2,650	-
Grant ceremonies	1,822	4,904
Random Act of Kindness Day	3,181	-
Vital Signs Launch	-	48
Professional Advisor Seminar	<u>-</u>	<u>2,088</u>
	<u>\$ 7,694</u>	<u>\$ 7,498</u>

**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**11. INTERFUND TRANSFERS**

During the year, the Foundation transferred \$1,000 to the General Community Fund from the Designated. Transfers between funds reflect updates or changes to how grants from a fund are managed. This may be a result of funds emerging, changes to fund agreements or reinterpretation of fund agreements.

**12. FINANCIAL INSTRUMENT RISK**

The Foundation has exposure to the following risks from its use of financial instruments.

- Interest rate risk
- Liquidity risk
- Market risk
- Credit risk

The Foundation adheres to a Policy on Investments, approved by the Board of Directors, which outlines the objectives, policies and measures related to its investing activities. These policies prescribe qualitative and quantitative measures related to its investments in order to moderate the financial risks.

a.) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of interest-bearing financial instruments held by the Foundation.

b.) Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its liabilities as they fall due. A majority of the Foundation's assets are investments traded in active markets that can be readily liquidated and therefore the Foundation's liquidity risk is considered minimal. The Foundation manages the risk by retaining sufficient cash available to manage liquidity.

c.) Market risk

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

d.) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment resulting in a financial loss to the Foundation. The fair value of a publicly traded financial instrument takes into account the credit rating of its issuer. The Foundation's financial instruments of cash equivalents, loan receivable and bonds and debentures are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value. The Foundation manages the risks by engaging a professional firm to actively manage and evaluate the quality of its investments. The Foundation's Board, through the recommendations from its Investment Committee, also monitors and evaluates the investment performance semi-annually and its investment manager annually to ensure compliance with the Foundation's Policy on Investment. Cash is held at financial institutions regulated by the Federal Bank Act or Trust and Loan Companies Act.

**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**13. COVID-19 IMPACT**

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a pandemic resulting in economic uncertainty. At this time, the full impact of COVID-19 on the Foundation is not known. The Foundation is uncertain how long the duration of COVID-19 will be and will continue to monitor financial performance. Should the pandemic continue for an indeterminate amount of time, the Foundation is uncertain how this would further affect them.

**COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA  
SCHEDULE OF OPERATING EXPENSES**

For year ended December 31	2020	2019
Advertising and promotion	\$ 16,252	\$ 19,465
Amortization	19,561	19,561
Communications (Vital Signs)	-	13,854
GST	4,091	4,992
Office and condominium fees	40,906	33,712
Office equipment and furniture	4,298	3,662
Professional development	4,243	19,618
Professional fees	27,388	26,748
Salaries and contract services	224,849	215,088
Special events (Note 10)	7,694	7,498
Technology	2,926	5,550
Travel	-	4,005
	<b>352,208</b>	<b>373,753</b>
Less portion covered by managed funds	<b>(18,551)</b>	<b>(16,835)</b>
	<b>\$ 333,657</b>	<b>\$ 356,918</b>
 Fund Allocation:		
General Community Funds	\$ 180,842	\$ 230,155
Field of Interest Funds	70,897	63,294
Designated Funds	81,918	63,469
	<b>\$ 333,657</b>	<b>\$ 356,918</b>
 Funded by:		
Amortization of capital contributions	\$ 1,139	\$ 1,139
Grants, sponsorships and administrative donations	-	3,269
Administrative fees charged to Field of Interest and Designated Funds	152,815	126,763
Administrative fees charged to General Community Funds	179,703	225,747
	<b>\$ 333,657</b>	<b>\$ 356,918</b>