

**COMMUNITY FOUNDATION OF
LETHBRIDGE AND
SOUTHWESTERN ALBERTA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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Independent Auditor's Report

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, 2022 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, 2022, 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.

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.

Chartered Professional Accountants

Lethbridge, Alberta
March 28, 2023

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

December 31	2022	2021 (Note 12)
ASSETS		
Current		
Cash	\$ 196,835	\$ 75,504
Accounts receivable	<u>22,773</u>	<u>3,367</u>
	219,608	78,871
Investments (Note 2)	32,941,867	36,182,572
Capital assets (Note 3)	640,726	660,288
Life insurance policies cash surrender value (Note 4)	<u>171,410</u>	<u>198,479</u>
	<u>\$ 33,973,611</u>	<u>\$ 37,120,210</u>
LIABILITIES		
Current		
Accounts payable (Note 5)	\$ 20,948	\$ 25,552
Unamortized capital contributions (Note 6)	37,318	38,458
Managed funds (Note 7)	<u>2,004,376</u>	<u>2,192,454</u>
	<u>2,062,642</u>	<u>2,256,464</u>
NET ASSETS		
Fund balances		
Community Priorities Fund	12,337,821	14,388,133
Field of Interest Funds	8,627,090	8,459,706
Designated Funds	10,342,650	11,394,077
Invested in Capital Assets	<u>603,408</u>	<u>621,830</u>
	<u>31,910,969</u>	<u>34,863,746</u>
	<u>\$ 33,973,611</u>	<u>\$ 37,120,210</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	2022				2021	
	(Note 12) Community Priorities Fund	Field of Interest Funds	Designated Funds	(Note 12) Invested in capital assets	Total	Total
REVENUE						
Contributions	\$ 38,320	\$ 667,255	\$ 916,815	-	\$ 1,622,390	\$ 1,594,904
Investment income (Note 9)	517,950	318,157	382,693	-	1,218,800	1,757,189
Capital gains (losses) - realized and unrealized	(1,757,671)	(1,079,673)	(1,298,673)	-	(4,136,017)	1,691,077
Change in cash surrender value of life insurance	(27,069)	-	-	-	(27,069)	9,308
Grants, sponsorships, returned grants, and administrative donations	43,453	-	-	-	43,453	129,816
Amortization of capital contributions	-	-	-	1,139	1,139	1,140
	(1,185,017)	(94,261)	835	1,139	(1,277,304)	5,183,434
EXPENSES						
Grants	567,140	248,350	355,679	-	1,171,169	1,366,837
Investment management fee	54,026	33,186	39,917	-	127,129	119,109
Operating expenses (Schedule)	158,378	90,786	108,450	19,561	377,175	348,199
	779,544	372,322	504,046	19,561	1,675,473	1,834,145
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(1,964,561)	(466,583)	(503,211)	(18,422)	(2,952,777)	3,349,289
FUND BALANCE , beginning of year	14,388,133	8,459,706	11,394,077	621,830	34,863,746	31,514,457
FUND TRANSFERS (Note 10)	(85,751)	633,967	(548,216)	-	-	-
FUND BALANCE , end of year	\$ 12,337,821	\$ 8,627,090	\$ 10,342,650	\$ 603,408	\$ 31,910,969	\$ 34,863,746

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	2022	2021
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Excess (deficiency) of revenue over expenses	\$ (2,952,777)	\$ 3,349,289
Items not involving cash		
Amortization on capital assets	19,561	19,562
Amortization of capital contributions	(1,139)	(1,140)
Realized and unrealized (gains) losses on investments	4,136,017	(1,691,076)
Decrease (increase) in cash surrender value of life insurance	27,069	(9,309)
	1,228,731	1,667,326
Net change in non-cash working capital balances		
Accounts receivable	(19,406)	(1,253)
Accounts payable	(4,604)	6,106
	1,204,721	1,672,179
INVESTMENTS		
Net disposal (purchase) of investments	(895,312)	(1,865,096)
Net change in managed funds	(188,078)	194,934
	(1,083,390)	(1,670,162)
INCREASE (DECREASE) IN CASH DURING THE YEAR	121,331	2,017
CASH, beginning of year	75,504	73,487
CASH, end of year	\$ 196,835	\$ 75,504

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

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 Community Priorities Fund (unrestricted) from Designated Funds and Field of Interest Funds (for special purposes).

Community Priorities 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, 2022

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.

Community Priorities 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, 2022

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 Community Priorities Fund.

2. INVESTMENTS

Investments consist of various marketable securities as follows:

	2022	2021
Cash and short term investments	\$ 110,465	\$ 1,196,006
Bonds and fixed income	12,656,762	13,113,403
Canadian equities	8,449,256	7,702,124
Foreign equities	11,725,384	14,171,039
	\$ 32,941,867	\$ 36,182,572

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 \$31,049,793 (2021 - \$29,212,984).

As at February 28, 2023 the market value of the above investments were valued at \$33,714,117.

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. CAPITAL ASSETS

	2022	2021
Condominium - cost	\$ 782,463	\$ 782,463
Accumulated amortization	(141,737)	(122,175)
	\$ 640,726	\$ 660,288

4. LIFE INSURANCE POLICIES CASH SURRENDER VALUE

The Foundation is the assignee and owner of two universal life insurance policies. 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 \$0 (2021 - \$3,751) 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:

	2022	2021
Beginning balance	\$ 38,458	\$ 39,598
Amounts amortized to revenue	(1,139)	(1,140)
Ending balance	\$ 37,319	\$ 38,458

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA
NOTES TO FINANCIAL STATEMENTS
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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 2022 totaled \$21,928 (2021- \$19,888). 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:

	2022	2021
Lethbridge and District Music and Speech Arts Festival Society	\$ 492,167	\$ 558,343
Parish of St. Augustine's	926,526	1,031,936
Claresholm and District Health Foundation	531,326	516,828
Claresholm Seniors Drop-in Centre	54,357	85,347
	\$ 2,004,376	\$ 2,192,454

8. COMMITMENTS

The Foundation is committed to monthly payments of \$750 for condominium fees for its unit at 1202 - 2nd Avenue South, Lethbridge, Alberta.

9. INVESTMENT INCOME

Within the total investment income in 2022, the total interest income for the year is \$579,058 (2021 - \$434,237).

10. INTERFUND TRANSFERS

During the year, the Foundation transferred a net of \$85,751 from the Community Priorities Fund to a Field of Interest Fund. They also had a net transfer of \$548,216 from the Designated Fund to a Field of Interest Fund.

COMMUNITY FOUNDATION OF LETHBRIDGE AND SOUTHWESTERN ALBERTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

11. 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.

12. COMPARATIVE FIGURES

Comparative figures for the prior year have been restated to conform to current year statement presentation. Net assets invested in capital assets have been separated from other net assets.

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

For year ended December 31	2022	2021 (Note 12)
Advertising and promotion	\$ 18,201	\$ 21,344
Amortization	19,561	19,561
Consulting	-	19,605
GST	5,362	5,541
Office and condominium fees	38,144	44,258
Office equipment and furniture	4,648	3,799
Professional development	10,404	5,117
Professional fees	25,890	33,765
Salaries and contract services	258,204	201,192
Special events	10,337	10,067
Technology	4,420	3,838
Travel	3,932	-
	<u>399,103</u>	<u>368,087</u>
Less portion covered by managed funds	<u>(21,928)</u>	<u>(19,888)</u>
	<u>\$ 377,175</u>	<u>\$ 348,199</u>
 Fund Allocation:		
Community Priorities Funds	\$ 158,378	\$ 155,896
Field of Interest Funds	90,786	74,942
Designated Funds	108,450	97,800
Invested in capital assets	19,561	19,561
	<u>\$ 377,175</u>	<u>\$ 348,199</u>
 Funded by:		
Amortization of capital contributions	\$ 1,139	\$ 1,140
Administrative fees charged to Field of Interest and Designated Funds	199,236	172,742
Administrative fees charged to Community Priorities Funds	176,800	174,317
	<u>\$ 377,175</u>	<u>\$ 348,199</u>