

**RED DEER & DISTRICT COMMUNITY  
FOUNDATION**

**Independent Auditor's Report and  
Financial Statements**

**December 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

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### To the Board of Directors of Red Deer & District Community Foundation

#### *Opinion*

We have audited the financial statements of Red Deer & District Community Foundation ("Foundation"), which comprise the statement of financial position as at December 31, 2023, and the statements of changes in fund balances, general operations 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 financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2023, and its results of operations and its cash flows 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.

#### *Emphasis of Matter*

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 has been restated. Our opinion is not modified in respect of this matter.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Generally Accepted Auditing Standards, 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.

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## INDEPENDENT AUDITOR'S REPORT, continued

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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.

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## INDEPENDENT AUDITOR'S REPORT, continued

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- 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.

Red Deer County, Alberta

June 7, 2024

*RSM Canada LLP*

Chartered Professional Accountants

# **RED DEER & DISTRICT COMMUNITY FOUNDATION**

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**December 31, 2023**

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# RED DEER & DISTRICT COMMUNITY FOUNDATION

## Statement of Financial Position

As at December 31, 2023

	2023	2022 (restated - note 2)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 251,109	\$ 254,950
Accrued interest receivable	403	414
Goods and Services Tax receivable	1,615	1,770
Prepaid expenses	<u>7,147</u>	<u>2,000</u>
	260,274	259,134
<b>Restricted cash (note 4)</b>	515,228	382,417
<b>Investments (note 5)</b>	18,454,524	16,500,578
<b>Tangible capital assets (note 6)</b>	<u>9,132</u>	<u>14,973</u>
	<b><u>\$ 19,239,158</u></b>	<b><u>\$ 17,157,102</u></b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accruals	\$ 41,587	\$ 63,870
Deferred revenue	<u>-</u>	<u>169,500</u>
	<b><u>41,587</u></b>	<b><u>233,370</u></b>
<b>NET ASSETS</b>		
Designated Endowment funds	5,662,298	5,291,948
Scholarship funds	3,957,499	3,557,683
General Endowment fund	3,224,153	3,073,051
Operating Endowment fund	1,933,353	1,645,061
Field of Interest funds	1,350,008	1,148,926
Flow Through funds	1,151,727	515,715
Donor Advised funds	831,236	738,040
Managed funds	509,368	472,964
Operating fund	<u>577,929</u>	<u>480,344</u>
	<b><u>19,197,571</u></b>	<b><u>16,923,732</u></b>
<b>Commitments (note 8)</b>	<b><u>\$ 19,239,158</u></b>	<b><u>\$ 17,157,102</u></b>

### Approved by the board:

\_\_\_\_\_  
Board Chair

\_\_\_\_\_  
Treasurer

See accompanying notes

# RED DEER & DISTRICT COMMUNITY FOUNDATION

## Statement of Changes in Fund Balances

Year ended December 31, 2023

	<b>Balance, beginning of year (restated - note 2)</b>	<b>Interest, dividends and capital gains</b>	<b>Distributions</b>	<b>Operating costs</b>	<b>Net unrealized gains (losses) in investments</b>	<b>Contributions received</b>	<b>Excess of revenues over expenditures</b>	<b>2023 Balance, end of year</b>
Operating	\$ 480,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,585	\$ 577,929
Designated Endowment	5,291,948	356,085	(202,768)	(109,208)	246,203	80,038	-	5,662,298
Scholarships	3,557,683	245,688	(87,653)	(78,046)	165,678	154,149	-	3,957,499
General Endowment	3,073,051	201,114	(126,437)	(68,669)	145,069	25	-	3,224,153
Operating Endowment	1,645,061	118,516	(20,000)	(9,441)	78,367	120,850	-	1,933,353
Field of Interest	1,148,926	78,038	(36,363)	(24,759)	53,859	130,307	-	1,350,008
Flow Through	515,715	11,789	(1,479,272)	(8,622)	-	2,112,117	-	1,151,727
Donor Advised	738,040	52,705	(44,000)	(17,105)	33,315	68,281	-	831,236
Managed	472,964	27,719	-	(11,140)	19,825	-	-	509,368
	<b>\$ 16,923,732</b>	<b>\$ 1,091,654</b>	<b>\$ (1,996,493)</b>	<b>\$ (326,990)</b>	<b>\$ 742,316</b>	<b>\$ 2,665,767</b>	<b>\$ 97,585</b>	<b>\$ 19,197,571</b>
2022 (restated - note 2)	<u>\$ 20,359,781</u>	<u>\$ 1,137,691</u>	<u>\$ (1,610,986)</u>	<u>\$ (330,362)</u>	<u>\$ (3,468,303)</u>	<u>\$ 794,679</u>	<u>\$ 41,232</u>	<u>\$ 16,923,732</u>

See accompanying notes

# RED DEER & DISTRICT COMMUNITY FOUNDATION

## Statement of General Operations

Year ended December 31, 2023

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	<b>2023</b>	<b>2022</b>
		(restated - note 2)
<b>Revenues</b>		
Fund administrative fees	\$ 236,997	\$ 240,815
Honorariums and grants	169,500	27,712
Donations	31,800	10,023
Operating endowment revenue	20,000	52,000
Investment income	17,273	3,901
	<hr/> <b>475,570</b>	<hr/> 334,451
<b>Expenditures</b>		
Wages and benefits	173,314	156,295
Investment readiness program	60,894	500
Office	43,585	35,082
Professional fees	29,124	35,642
Rent	25,862	22,081
Advertising	16,479	6,608
Conferences and meetings	8,552	1,054
Membership fees	6,432	5,380
Amortization	5,840	6,692
Honorariums and grants	4,000	20,000
Insurance	2,913	2,941
Bank charges	990	944
	<hr/> <b>377,985</b>	<hr/> 293,219
<b>Excess of revenues over expenditures</b>	<hr/> <b>\$ 97,585</b>	<hr/> \$ 41,232

See accompanying notes

# RED DEER & DISTRICT COMMUNITY FOUNDATION

## Statement of Cash Flows

Year ended December 31, 2023

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2023	2022
	(restated -
	note 2)

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### CASH PROVIDED BY (USED FOR)

#### Operating activities

Cash receipts from sponsorships, donations, grants and other	\$ 69,239	\$ 266,120
Cash paid to suppliers and employees	(385,574)	(279,248)
Funds received from contributors	2,415,514	794,679
Disbursements paid to recipients	<u>(2,010,494)</u>	<u>(1,645,287)</u>
	<u>88,685</u>	<u>(863,736)</u>

#### Investing activities

Contributions to investment funds	(64,368)	(97,651)
Withdrawal of investment funds	104,653	860,084
Change in restricted cash	<u>(132,811)</u>	<u>(98,559)</u>
	<u>(92,526)</u>	<u>663,874</u>

#### Decrease in cash

Cash, beginning of year	<u>254,950</u>	<u>454,812</u>
Cash, end of year	<u>\$ 251,109</u>	<u>\$ 254,950</u>

During the year, contributions of securities were received in the amount of \$250,253 (2022 - \$52,949). These have been excluded from the statement of cash flows as they are non-cash transactions.

See accompanying notes

# RED DEER & DISTRICT COMMUNITY FOUNDATION

## Notes to the Financial Statements

December 31, 2023

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### 1. Objective of the Foundation

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Red Deer & District Community Foundation ("the Foundation") was incorporated pursuant to the Societies Act of the Province of Alberta on June 27, 1989.

The objective of the Foundation is to employ the funds entrusted to the Foundation together with the income generated thereon to provide funding for charitable, philanthropic, humanitarian, educational, cultural, and benevolent purposes in the City of Red Deer and surrounding district.

The Foundation is a registered charitable organization under Section 149(1)(f) of the Income Tax Act and, accordingly, is exempt from income taxes. The Foundation may issue tax-deductible receipts to donors.

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### 2. Restatement of Prior Year Figures

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The financial statements for December 31, 2022 have been restated to reflect the deferral of revenue that was originally recognized in the 2022 year, and the recognition of this revenue in the 2023. The restatement reflects the recognition of the revenue in the correct year, in accordance with the terms of the agreement. This increases 2022 deferred revenue by \$169,500 and decreases 2022 honorarium revenue by \$169,500. 2022 ending net assets were reduced by \$169,500.

	<u>As previously reported</u>	<u>Restatement</u>	<u>As restated</u>
Deferred revenue	\$ -	\$ 169,500	\$ 169,500
<b>Total liabilities</b>	<b>\$ 63,870</b>	<b>\$ 169,500</b>	<b>\$ 233,370</b>
Operating fund	649,844	169,500	480,344
<b>Net Assets</b>	<b>17,093,232</b>	<b>169,500</b>	<b>16,923,732</b>
Honorariums and grant revenue	197,212	169,500	27,712
<b>Excess revenue over expenses</b>	<b>210,732</b>	<b>169,500</b>	<b>41,232</b>

# **RED DEER & DISTRICT COMMUNITY FOUNDATION**

## **Notes to the Financial Statements**

**December 31, 2023**

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### **3. Significant Accounting Policies**

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These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

#### **Measurement uncertainty**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of estimates include the fair value estimate of goods received. Actual results may differ from management's best estimates as additional information becomes available in the future.

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

Cash and cash equivalents include cash on deposits that form an integral part of the Foundation's cash management. Cash equivalents exclude amounts externally or internally restricted to fund balances. Restricted cash is excluded from the statement of cash flows.

#### **Donated services**

The Foundation benefits from donated services in the form of volunteer time by the members of the Board and various committees of the Board. There are no amounts reflected in these financial statements relative to these donated services.

# RED DEER & DISTRICT COMMUNITY FOUNDATION

## Notes to the Financial Statements

December 31, 2023

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### 3. Significant Accounting Policies, continued

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#### **Fund accounting**

The Foundation follows the restricted fund method of accounting for contributions. As certain donors have provided funds for special purposes, the financial statements have been prepared in a manner that segregates the fund categories in accordance with the restrictions and conditions regarding the distribution of these funds.

The Board of Directors established a policy whereby a portion of the annual income of each fund within the below funds shall be set aside as a Preservation of Capital allocation. The distribution of the accumulated Preservation of Capital is subject to the approval of the Board of Directors.

Each fund incurs operating costs which includes administrative fees and investment fund management fees.

The funds, by category, are reported in the Statement of Changes in Fund Balances and are described as follows:

- a) General Endowment Fund – unless otherwise specified by the donor, donations are recorded as additions to the capital base of these funds. The income earned on these funds, except as it relates to the preservation of capital, is available for distribution in accordance with the General Endowment Funds Policy of the Foundation as established by the Board of Directors.
- b) Designated Endowment Funds – a donor may specify that a donation shall be restricted for a specific purpose as defined by the donor. These funds are defined as designated and the income earned on these funds, except as it relates to the preservation of capital, is available for distribution only in accordance with the terms and conditions established by the donor upon settling the fund. Donations to these funds are recorded as additions to the capital base of the Designated Funds.
- c) Operating Endowment Funds - the donors of the funds within this category have specified that these funds be specifically designated for the operations of the Foundation.
- d) Field of Interest Funds – the donors of the funds within this category have specified the types of activities or projects shall benefit from these funds. Distributions are therefore restricted to the donor's specified field of interest. Donations to these funds are recorded as additions to the capital base of the Field of Interest Funds. The income earned on these funds, except as it relates to the preservation of capital, is available for distribution in accordance with the Field of Interest Funds Policy of the Foundation as established by the Board of Directors together with the field of interest criteria as specified by the donor.

# RED DEER & DISTRICT COMMUNITY FOUNDATION

## Notes to the Financial Statements

December 31, 2023

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### 3. Significant Accounting Policies, continued

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e) Donor Advised Funds - the donors of these funds are given the opportunity to recommend to the Foundation's Board of Directors, specific organizations to receive grants from their funds. As such, the funds assist individuals and their families with their charitable donations without the costs associated with establishing a private foundation. Additionally, it fosters a variety of ways in which community members can participate in building a community legacy for Red Deer and the surrounding area. The income earned on these funds, except as it relates to the preservation of capital, is available for distribution in accordance with the Donor Advised Funds Policy of the Foundation as established by the Board of Directors together with the criteria as specified by the donor. Donations to these funds are recorded as additions to the capital base of the Donor Advised Funds.

f) Flow Through Funds - contributions are distributed to registered charities and the criteria for the distribution are determined solely by the benefactor of the fund. The distribution process normally occurs within the year of receipt; however, the distribution must occur in compliance with Canada Revenue Agency regulations.

g) Managed Funds - contributions are the property of another agency or organization that have been placed with the Foundation solely for management of the funds. Any income or loss experienced by these funds is reported within the fund. The distribution of the fund is solely determined by the settlor of the fund and the fund is charged a management fee by the Foundation.

h) Scholarship Funds - the donors of the funds within this category have specified that the donation shall be restricted for scholarships. The Foundation helps to facilitate the decision making process providing annual scholarship applications to the committees. Distributions are therefore restricted to the agreed upon scholarship. The income earned on these funds, except as it relates to the preservation of capital, is available for distribution in accordance with the Scholarship Funds Policy of the Foundation as established by the Board of Directors together with the criteria as specified by the donor. Donations to these funds are recorded as additions to the capital base of the Scholarship Funds.

#### **Contributed goods**

Contributed goods are recorded in the financial statements based on their estimated fair market value at the time of donation. Where the fair value cannot be reasonably estimated, contributed goods are not recorded in the financial records.

# RED DEER & DISTRICT COMMUNITY FOUNDATION

## Notes to the Financial Statements

December 31, 2023

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### 3. Significant Accounting Policies, continued

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#### Financial instruments

##### *Measurement*

Financial instruments are financial assets or liabilities of the Foundation where, in general, the Foundation has the right to receive cash or another financial asset from another party or the Foundation has the obligation to pay another party cash or other financial assets.

The Foundation initially measures its financial assets and liabilities at fair value.

The Foundation subsequently measures its financial assets and liabilities at amortized cost, except for investments which are measured at fair value. Transaction costs are expensed when incurred.

Financial assets measured at amortized cost include cash, restricted cash, and accrued interest receivable.

Financial liabilities measured at amortized cost include accounts payable and accruals.

##### *Impairment*

Financial assets measured at cost or amortized cost are tested for impairment, at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is not greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in operations.

# RED DEER & DISTRICT COMMUNITY FOUNDATION

## Notes to the Financial Statements

December 31, 2023

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### 3. Significant Accounting Policies, continued

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#### **Tangible capital assets**

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution, unless the fair value cannot be reasonably determined, in which case the asset is recorded at a nominal value. During the year, no contributed tangible capital assets were recorded in the financial statements. The annual amortization rates are as follows:

Computer equipment	55%
Computer software	30%

A half year of amortization is calculated in the year of acquisition. No amortization is calculated in the year of disposition.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Foundation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their book value. Net write-downs are accounted for as expenses in the Statement of General Operations. A write-down shall not be reversed.

#### **Revenue recognition**

Fund administrative fees are recognized as revenue in the Operating fund when earned at rates approved by the Board of Directors. Honorarium revenues are deferred and recognized upon completion of the obligations under the related agreements. Unrestricted donations are recognized as revenue in the Operating fund when received.

Restricted operating donations are deferred and recognized as revenue in the operating fund when the related expense is incurred. Restricted contributions related to tangible capital assets are recognized as revenue in the operating fund as the related tangible capital assets are amortized.

Restricted donations to a fund are recognized as a direct increase to the fund balance. Interest, dividends, and capital gains are recognized as direct increases to specific fund balances when earned net of investment management fees. Return of capital distributions received from investments in income trusts are treated as a reduction of the cost base of the asset.

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### 4. Restricted Cash

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Long term cash is restricted to fund net asset balances.

# RED DEER & DISTRICT COMMUNITY FOUNDATION

## Notes to the Financial Statements

December 31, 2023

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### 5. Investments

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The Foundation's investments are held within a publicly traded Pooled Fund, whose asset composition is represented by:

	<u>2023</u>	<u>2022</u>
Cash, cash equivalents and short-term notes	\$ 1,668,979	\$ 1,647,291
Foreign securities	7,429,565	6,550,538
Bonds and debentures	6,055,373	5,224,842
Canadian securities	<u>3,300,607</u>	<u>3,077,907</u>
	<u><b>\$ 18,454,524</b></u>	<u><b>\$ 16,500,578</b></u>

Investments are restricted to fund net asset balances.

The total accumulated unrealized loss at December 31, 2023 was \$1,358,409 (2022-\$2,120,319).

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### 6. Tangible Capital Assets

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	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2023 Net</u>	<u>2022 Net</u>
Computer software	\$ 24,581	\$ 15,449	\$ 9,132	\$ 14,626
Computer equipment	<u>1,062</u>	<u>1,062</u>	-	347
	<u><b>\$ 25,643</b></u>	<u><b>\$ 16,511</b></u>	<u><b>\$ 9,132</b></u>	<u><b>\$ 14,973</b></u>

# RED DEER & DISTRICT COMMUNITY FOUNDATION

## Notes to the Financial Statements

December 31, 2023

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### 7. Original Endowment

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	<u>2023</u>	<u>2022</u>
Designated Scholarships	\$ 4,830,100	\$ 4,445,302
General Endowment	3,206,295	3,054,145
Operating Endowment	2,716,917	2,716,892
Field of Interest	1,387,849	1,266,999
Donor Advised	1,002,502	1,047,767
	<u>737,157</u>	<u>677,976</u>
	<u><b>\$ 13,880,820</b></u>	<u><b>\$ 13,209,081</b></u>

The balance included in each fund grouping includes the accumulated contributions to the capital base of each fund.

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### 8. Commitments

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The Foundation entered into an office premise lease effective March 2024 due to expire February 2025. Under the terms of the operating lease, the Foundation is committed to the following minimum payments per year:

2024	\$ 18,433
2025	<u>3,687</u>
	<u><b>\$ 22,120</b></u>

# RED DEER & DISTRICT COMMUNITY FOUNDATION

## Notes to the Financial Statements

December 31, 2023

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### 9. Financial Instruments

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It is management's opinion that the Foundation is not exposed to significant interest, credit, liquidity, market or currency risk arising from these financial instruments, except as follows:

#### **Credit risk**

The Foundation is exposed to credit risk in two areas, if within the investments a bond or note issuer of a financial instrument fails to meet their contractual obligations or secondly, if accounts receivable is not collected. To mitigate the accounts receivable risk the Foundation only records amounts receivable from reputable donors where agreements are in place to receive the funds. To mitigate the investment risk, the Foundation obtains investment advice from qualified investment advisors to select appropriate issuers.

#### **Market risk**

The Foundation is exposed to market price risk as the Canadian and foreign securities included in investments are traded in the market. Market price risk is the risk that the value of an investment will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuers or factors affecting all securities traded in the market. To mitigate this risk the Foundation obtains investment advice from qualified investment advisors to select appropriate issuers. Furthermore, the board of directors has set out fund parameters that detail the permissible ranges for each asset class indicating minimum and maximum positions as a percentage of the Fund's total market value.

#### **Interest rate risk**

The Foundation is exposed to interest rate price risk as certain investments bear interest at fixed interest rates.

There have been no changes to the financial risks from the prior year.

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### 10. Comparative Figures

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Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2023 financial statements due to funds transferred between fund groupings. There is no impact on the prior year net income or net assets ending balance.