

Community Foundation of Medicine Hat and Southeastern Alberta
Financial Statements
June 30, 2022

Management's Responsibility

To the Members 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 accounting standards for not-for-profit organizations 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 and Audit Committee are composed 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 Committee is also responsible for recommending the appointment of the Foundation's external auditors.

MNP LLP 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 Committee and management to discuss their audit findings.

October 20, 2022

e-Signed by Niki Gray

2022-10-20 18:37:48:48 MDT

Executive Director

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

Opinion

We have audited the financial statements of Community Foundation of Medicine Hat and Southeastern Alberta (the "Foundation"), which comprise the statement of financial position as at June 30, 2022, and the statements of operations, changes in undistributed income and funds 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 June 30, 2022, and the results of its 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.

Other Matter

The financial statements for the year ended June 30, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on October 21, 2021.

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 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.

Medicine Hat, Alberta

October 20, 2022

MNP LLP

Chartered Professional Accountants

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

As at June 30, 2022

	2022	2021
Assets		
Current		
Cash	115,543	30,810
Accounts receivable	12,918	83,225
Marketable securities (Note 3)	22,351,189	23,951,493
Prepaid expenses	15,865	16,335
	22,495,515	24,081,863
Tangible capital assets (Note 4)	17,200	26,559
	22,512,715	24,108,422
Liabilities		
Current		
Accounts payable and accruals (Note 5)	44,200	30,423
Deferred contributions (Note 6)	49,762	84,801
Grants payable	10,170	20,767
Managed funds (Note 7)	243,506	262,658
	347,638	398,649
Deferred capital contributions (Note 8)	5,615	9,162
	353,253	407,811
Fund balances		
Community Endowment Fund (formerly Smart & Caring)	9,675,479	10,215,201
Designated Endowment Fund	10,339,371	11,120,845
Operating Endowment Fund	2,004,222	2,255,856
Flow Through Fund	152,192	89,668
Administrative Fund	(11,802)	19,041
	22,159,462	23,700,611
	22,512,715	24,108,422

Approved on behalf of the Board

e-Signed by Tyler Pocsik
2022-10-20 16:02:52:52 MDT
Director

e-Signed by Frances Barnes
2022-10-20 20:36:18:18 MDT
Director

The accompanying notes are an integral part of these financial statements

Community Foundation of Medicine Hat and Southeastern Alberta
Statement of Operations

For the year ended June 30, 2022

	Community Endowment Fund (formerly Smart & Caring)	Designated Endowment Fund	Operating Endowment Fund	Flow Through Fund	Administrative Fund	2022	2021
Revenue							
Investments	694,161	1,034,397	190,845	15,762	-	1,935,165	1,043,049
Grants, donations & other income	534,168	466,040	20,671	88,581	113,829	1,223,289	5,292,440
Realized gain (loss) on sale of marketable securities	(1,197)	(2,253)	(348)	101	-	(3,697)	(1,341)
	1,227,132	1,498,184	211,168	104,444	113,829	3,154,757	6,334,148
Expenses							
Grants (Note 9)	311,402	380,120	-	31,008	61,835	784,365	1,328,436
Operating expenses (Schedule 1)	-	-	-	-	405,993	405,993	407,583
Investment fees	50,123	51,956	9,531	633	5,347	117,590	84,068
	361,525	432,076	9,531	31,641	473,175	1,307,948	1,820,087
Undistributed income (loss)	865,607	1,066,108	201,637	72,803	(359,346)	1,846,809	4,514,061
Other items							
Unrealized gain (loss) on marketable securities	(1,301,221)	(1,729,049)	(347,454)	(10,234)	-	(3,387,958)	3,216,515
Increase (decrease) in undistributed income (loss)	(435,614)	(662,941)	(145,817)	62,569	(359,346)	(1,541,149)	7,730,576

Community Foundation of Medicine Hat and Southeastern Alberta
Statement of Changes in Undistributed Income and Fund Balances

For the year ended June 30, 2022

	<i>Community Endowment Fund (formerly Smart & Caring)</i>	<i>Designated Endowment Fund</i>	<i>Operating Endowment Fund</i>	<i>Flow Through Fund</i>	<i>Administrative Fund</i>	<i>2022</i>	<i>2021</i>
Balance, beginning of year	8,712,912	9,296,371	1,725,300	-	-	19,734,583	15,283,490
Donations transferred from undistributed income	534,168	466,040	20,671	-	-	1,020,879	4,451,093
Preservation of capital adjustment (Note 10)	206,233	219,571	40,837	-	-	466,641	-
Capital, end of year	9,453,313	9,981,982	1,786,808	-	-	21,222,103	19,734,583
Undistributed income, beginning	1,502,289	1,824,474	530,556	89,668	19,041	3,966,028	686,545
Increase (decrease) in undistributed income	(435,614)	(662,941)	(145,817)	62,569	(359,346)	(1,541,149)	7,730,576
Preservation of capital adjustment (Note 10)	(206,233)	(219,571)	(40,837)	-	-	(466,641)	-
Administrative charge (Note 11)	(104,108)	(118,533)	(21,747)	(45)	244,433	-	-
Operating Endowment Fund Grant (Note 12)	-	-	(84,070)	-	84,070	-	-
Donations included in undistributed income transferred to capital	(534,168)	(466,040)	(20,671)	-	-	(1,020,879)	(4,451,093)
Undistributed income, end of year	222,166	357,389	217,414	152,192	(11,802)	937,359	3,966,028
Fund balances, end of year	9,675,479	10,339,371	2,004,222	152,192	(11,802)	22,159,462	23,700,611

Community Foundation of Medicine Hat and Southeastern Alberta Statement of Cash Flows

For the year ended June 30, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating		
Increase (decrease) in undistributed income	(1,541,149)	7,730,575
Amortization	9,359	11,962
Amortization of deferred capital contributions	(3,547)	(3,547)
Unrealized loss (gain) on disposal of marketable securities	3,387,958	(3,216,515)
Realized loss (gain) on disposal of marketable securities	3,697	1,347
Return on managed funds, net of fees	(19,152)	89,453
	1,837,166	4,613,275
Changes in working capital accounts		
Accounts receivable	70,307	10,168
Prepaid expenses	468	(12,896)
Accounts payable and accruals	13,777	3,424
Deferred contributions	(35,039)	(27,049)
Grants payable	(10,587)	9,640
	1,876,092	4,596,562
Financing		
Repayment of managed funds	-	(237,156)
Investing		
Purchase of tangible capital assets	-	(2,221)
Purchase of marketable securities	(2,341,122)	(5,906,135)
Proceeds on disposal of marketable securities	549,763	1,037,407
Net contributions to marketable securities	-	5,089
	(1,791,359)	(4,865,860)
Increase (decrease) in cash resources	84,733	(506,454)
Cash resources, beginning of year	30,810	537,264
Cash resources, end of year	115,543	30,810

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, 2022

1. Incorporation and nature of the organization

Community Foundation of Medicine Hat and Southeastern Alberta (the "Foundation") was 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 as determined by its Board of Directors.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principles, and include the following significant accounting policies:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions, and maintains five funds: Community Endowment Fund (formerly Smart & Caring), Designated Endowment Fund, Operating Endowment Fund, Flow Through Fund, and Administrative Fund.

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

The revenues and expenses related to the collection of unrestricted donations and fundraising activities are reported in the Community Endowment Fund (formerly Smart & Caring). The income earned by this fund is to be distributed as determined by the Board of Directors.

The Designated Endowment Fund reports resources contributed to the Foundation with the stipulation that the capital amount be permanently retained. Grants are distributed for the designated purposes from the income earned.

The Operating Endowment Fund reports resources contributed to the Foundation with the stipulation that the capital amount be preserved to fund administrative expenses.

The Flow Through Fund reports resources contributed to the Foundation with the stipulation that the entire capital amount be paid to another charitable organization.

The Administrative Fund reports resources contributed to the Foundation with the stipulation that the capital amount be used to directly fund administrative expenses. Revenue and expenditures for the operations of the Foundation and for the maintenance of the common elements are reported in this fund.

Cash and cash equivalents

Cash and cash equivalents include balances with banks.

Marketable securities

Marketable securities with prices quoted in an active market are measured at fair value for those with prices quoted in an active market, and cost less impairment for those that are not quoted in an active market.

Portfolio investments in entities that are not owned, controlled, or influenced by the Foundation are measured at cost, less any provision for other than temporary impairment.

Community Foundation of Medicine Hat and Southeastern Alberta

Notes to the Financial Statements

For the year ended June 30, 2022

2. Significant accounting policies (Continued from previous page)

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 plus all costs directly attributable to the acquisition.

Amortization is provided using various methods at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer equipment	declining balance	55 %
Computer software	declining balance	30-100 %
Equipment	declining balance	20 %
Leasehold improvements	straight-line	5 years

Long-lived assets

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

The Foundation writes down long-lived assets held for use when conditions indicate that the asset no longer contributes to the Foundation's ability to provide goods and services. The asset are also written-down when the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When the Foundation determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value.

Revenue recognition

The Foundation uses the restricted fund method of accounting for contributions.

Contributions, such as grants, bequests and donations, are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions which the donor has required to be held in perpetuity are recognized as revenue in an Endowment Fund. Restricted contributions are recognized as revenue in the Restricted Flow Through Fund. Restricted contributions for which no separate restricted fund exists are reported in the Administrative Fund and are accounted for using the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue and reported in the Community Endowment Fund (formerly Smart & Caring) or the Administrative Fund.

Investment income, which consists of interest, dividends, income distributions from pooled funds and realized capital gains and losses are recognized when earned. Unrealized gains and losses are recognized at the end of each quarter, based on fair market values.

Managed funds

Managed funds are owned by other organizations and pooled with the Foundation's assets for investment purposes. These managed fund assets are presented with the Foundation's marketable securities but are offset by managed funds liabilities on the Statement of Financial Position. Any revenue and expenses accruing to these funds are not reflected in the Statement of Operations or Changes in Undistributed Income and Fund Balances.

Grant expenses

Grant expenses are recorded in the year approved by the Board of Directors.

Donated material and services

Donated 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 contributions related to tangible capital assets represent the unamortized portion of contributed tangible capital assets and restricted contributions that were used to purchase some of the Foundation's leasehold improvements. Recognition of these amounts as revenue is deferred to periods when the related tangible capital assets are amortized.

Community Foundation of Medicine Hat and Southeastern Alberta

Notes to the Financial Statements

For the year ended June 30, 2022

2. Significant accounting policies (Continued from previous page)

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 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 collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of tangible capital assets and deferred capital contributions is based on the estimated useful lives of tangible capital assets.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the years in which they become known.

Financial instruments

The Foundation recognizes financial instruments when the Foundation becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Foundation may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Foundation has not made such an election during the year, other than marketable securities.

The Foundation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Foundation's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in increase (decrease) in undistributed income. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Community Foundation of Medicine Hat and Southeastern Alberta

Notes to the Financial Statements

For the year ended June 30, 2022

2. Significant accounting policies *(Continued from previous page)*

Related party financial instruments

The Foundation initially measures the following financial instruments originated in a related party transaction ("related party financial instruments") at fair value:

- Investments in equity instruments quoted in an active market
- Derivative contracts.

All other related party financial instruments are measured at cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received.

At initial recognition, the Foundation may elect to subsequently measure related party debt instruments that are quoted in active market, or that have observable inputs significant to the determination of fair value, at fair value.

The Foundation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Financial instruments that were initially measured at cost and derivatives that are linked to, and must be settled by, delivery of unquoted equity instruments of another entity, are subsequently measured using the cost method less any reduction for impairment.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in the increase (decrease) in undistributed income.

3. Marketable securities

	<i>2022</i>	<i>2021</i>
	-	-
Measured at fair value:		
National Bank Wealth Management, with a cost of \$3,193,285 (2021 - \$2,802,630)	3,027,254	2,973,195
Leith Wheeler Diversified Pooled Fund Series A, with a cost of \$21,075,682 (2021 - \$19,618,691)	19,323,935	20,978,298
	22,351,189	23,951,493

4. Tangible capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2022 Net book value</i>	<i>2021 Net book value</i>
Computer equipment	13,857	11,934	1,923	3,377
Computer software	20,984	14,871	6,113	8,283
Equipment	20,629	20,500	129	158
Leasehold improvements	39,809	30,774	9,035	14,741
	95,279	78,079	17,200	26,559

Community Foundation of Medicine Hat and Southeastern Alberta

Notes to the Financial Statements

For the year ended June 30, 2022

5. Accounts payable and accruals

	<i>2022</i>	<i>2021</i>
Trade payables	37,794	21,602
Payroll liabilities	6,406	8,821
	44,200	30,423

6. Deferred contributions

	<i>Opening</i>	<i>Received</i>	<i>Recognized</i>	<i>2022</i>	<i>2021</i>
Civil Society Grant	-	49,762	-	49,762	-
CHCI Honrarium	45,000	-	(45,000)	-	45,000
Rural Communities Grant	37,895	-	(37,895)	-	37,895
Government of Canada summer student grant	1,906	-	(1,906)	-	1,906
	84,801	49,762	(84,801)	49,762	84,801

7. Managed funds

Managed funds are not included in the fund balances of the Foundation as they are funds being held for other organizations. These amounts are pooled with the Foundation's endowment funds for investment purposes but belong to the following charitable organizations:

	<i>2022</i>	<i>2021</i>
Medicine Hat Catholic Education Foundation	148,439	160,461
Medicine Hat Catholic Education Foundation - Knights of Columbus	874	1,032
Rotary Club of Medicine Hat	38,613	41,188
Town of Oyen - Oyen Handibus	55,580	59,977
	243,506	262,658
Income reconciliation		
Opening balance	262,658	410,361
Income (loss) allocation	(15,324)	92,762
Administrative fee	(3,828)	(3,309)
Withdrawals	-	(237,156)
	243,506	262,658

Capital and related income (losses) generated from the investment of these funds are to be distributed in accordance with the other organizations directives.

Community Foundation of Medicine Hat and Southeastern Alberta

Notes to the Financial Statements

For the year ended June 30, 2022

8. Deferred capital contributions

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related tangible capital assets are amortized. Changes in deferred capital contributions are as follows:

	2022	2021
Balance, beginning of year	9,162	12,709
Less: Amounts recognized as revenue during the year	(3,547)	(3,547)
	5,615	9,162

9. Grants paid allocation

Grants paid are based on board approved percentage of the previous three year average capital balance for both the Community Endowment Fund (formerly Smart & Caring) and the Designated Endowment Fund. As such the approved amount of grants to be paid for the year were \$311,402 (2021 - \$178,681) for Community (formerly Smart & Caring) grants and \$380,120 (2021 - \$218,690) for the Designated grants, based on 3.5% (2021 - 3.5%). This comprises 113% (2021 - 85%) of the total 3.5% disbursement quota of the Foundation. Actual grants disbursed may vary due to several factors, including high quality applications and other identified areas of need.

10. Preservation of capital adjustment

As part of its function in administering 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 disbursements of grants and to cover a portion of the administration costs. During 2022 \$466,641 (2021 - \$nil) was reinvested into the funds as an optional preservation of capital adjustment. Of that \$206,233 was reinvested into the Community Fund (formerly Smart & Caring), \$219,571 into the Designated Fund, and \$40,837 into the Operating Fund.

11. Administrative charges

As part of its operations, the Foundation calculates a fee to the endowments funds based on 1.0% (2021 - 1.0%) of the investments held for each fund, calculated quarterly. Administrative charges were \$244,433 (2021 - \$181,245). Of this balance, \$3,828 (2021 - \$3,309) relates to managed funds and \$240,605 (2021 - \$177,936) relates to endowments held by the Foundation and is recognized directly on Statement of Changes in Undistributed Income and Fund Balances.

12. Operating Endowment Fund Grant

As part of its operations, the Foundation calculates an operating endowment fund grant to be paid based on 3.5% (2021 - 3.5%) of the previous three year average Operating Endowment Fund to the Administrative Fund to cover operating costs. This comprises 14% (2021 - 15%) of the total 3.5% disbursement quota of the foundation.

Community Foundation of Medicine Hat and Southeastern Alberta

Notes to the Financial Statements

For the year ended June 30, 2022

13. Related party transactions

The following donations were made by directors and staff:

	2022	2021
Directors		
Designated Endowment Fund	44,000	10,580
Operating Endowment Fund	550	2,050
Restricted Flow Through Fund	3,100	-
Community Endowment Fund (formerly Smart & Caring)	350	-
	48,000	12,630
Staff		
Administrative Fund	-	500
Designated Endowment Fund	1,175	300
Community Endowment Fund (formerly Smart & Caring)	300	150
Operating Endowment Fund	540	225
	2,015	1,175
	50,015	13,805

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

14. Charitable fundraising act of Alberta

As required under section 7(2) of the Regulations of the Charitable Fundraising Act of Alberta, the Foundation discloses that that service costs incurred for the purpose of soliciting contributions were \$nil (2021 - \$nil). The total amount paid as remuneration to employees whose principle duties involve fundraising was \$nil (2021 - \$nil).

No single disposition of contributions equalled or exceeded 10% of the gross contributions for the 12 month period ended June 30, 2022.

15. 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, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

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. The Foundation is exposed to interest rate risk primarily through its marketable securities.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains funds for contingencies.

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

For the year ended June 30, 2022
(Unaudited)

	<i>2022</i>	<i>2021</i>
Operating expenses		
Amortization	9,359	11,962
Advertising	27,667	26,431
Bank charges and interest	1,548	1,226
Events	21,815	3,415
Gifts in kind	9,503	2,400
Insurance	16,637	17,177
Licenses and fees	6,128	4,895
Office expenses	21,368	13,374
Professional fees	9,226	21,984
Rent	5,339	4,133
Salaries and benefits	251,848	271,649
Software	14,399	13,409
Telephone	5,184	8,034
Training and education	1,850	2,778
Travel	1,603	2,387
Utilities	2,519	2,329
	405,993	407,583
