

**THE LETHBRIDGE
COMMUNITY FOUNDATION**

**FINANCIAL STATEMENTS
DECEMBER 31, 2005**

LETHBRIDGE COMMUNITY FOUNDATION

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

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AUDITORS' REPORT

To the Directors of
The Lethbridge Community Foundation

We have audited the balance sheet of The Lethbridge Community Foundation as at December 31, 2005 and the statements of revenue, expenditures and undistributed income, fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2005 and the results of its operations and changes in its funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Lethbridge, Alberta
March 27, 2006

BDO Dunwoody LLP

Chartered Accountants

THE LETHBRIDGE COMMUNITY FOUNDATION

BALANCE SHEET AS AT DECEMBER 31, 2005

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash	\$ 108,502	\$ 67,908
Accounts receivable	5,338	4,925
Prepaid expenses	2,219	2,968
Investments	8,459,792	6,337,141
Cash surrender value - life insurance policies (note 4)	96,167	57,098
	<u>\$ 8,672,018</u>	<u>\$ 6,470,040</u>
LIABILITIES		
Accounts payable	\$ 3,215	\$ 3,000
Grants payable	55,375	96,180
	<u>58,590</u>	<u>99,180</u>
RESERVES		
Administrative expense reserve	<u>72,557</u>	<u>32,478</u>
FUND BALANCES		
Community fund	5,888,997	3,911,921
Field of interest funds	239,526	230,267
Designated funds	2,265,986	2,006,619
Managed funds	146,362	189,575
	<u>8,540,787</u>	<u>6,338,382</u>
	<u>\$ 8,672,018</u>	<u>\$ 6,470,040</u>

APPROVED BY THE BOARD:

DIRECTOR

DIRECTOR

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

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THE LETHBRIDGE COMMUNITY FOUNDATION

STATEMENT OF REVENUE, EXPENDITURES, AND UNDISTRIBUTED INCOME YEAR ENDED DECEMBER 31, 2005

	2005					2004
	General Community Fund	Field of Interest Funds	Designated Funds	Managed Funds	Total	Total
REVENUE						
Investments	\$ 413,462	\$ 19,218	\$ 177,778	\$ 11,437	\$ 621,895	\$ 502,619
Other (note 5)	79,591	-	-	-	79,591	198,156
	493,053	19,218	177,778	11,437	701,486	700,775
EXPENDITURES						
Administrative (note 6)	119,864	2,109	18,469	1,547	141,989	114,431
Transfers	155,771	8,825	65,880	2,484	232,960	108,851
	275,635	10,934	84,349	4,031	374,949	223,282
GRANTS (note 3)	141,611	7,850	84,450	11,827	245,738	254,352
	417,246	18,784	168,799	15,858	620,687	477,634
INCREASE (DECREASE) IN UNDISTRIBUTED INCOME	75,807	434	8,979	(4,421)	80,799	223,141
TRANSFER TO RESERVES	(37,679)	-	-	-	(37,679)	(32,478)
UNDISTRIBUTED INCOME BEGINNING OF YEAR	82,562	15,027	132,305	11,827	241,721	51,058
UNDISTRIBUTED INCOME END OF YEAR	\$ 120,690	\$ 15,461	\$ 141,284	\$ 7,406	\$ 284,841	\$ 241,721

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

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THE LETHBRIDGE COMMUNITY FOUNDATION

STATEMENT OF FUND BALANCES YEAR ENDED DECEMBER 31, 2005

	2005					2004
	General Community Fund	Field of Interest Funds	Designated Funds	Managed Funds	Total	Total
CAPITAL BEGINNING OF YEAR	\$ 3,829,359	\$ 215,240	\$ 1,874,314	\$ 177,748	\$ 6,096,661	\$ 5,435,214
Donations and Bequests	1,755,883	-	172,733	14,367	1,942,983	561,484
Interfund and Other Transfers	143,996	8,825	77,655	2,484	232,960	108,851
Withdrawals	-	-	-	(55,643)	(55,643)	(8,066)
Life Insurance CSV (note 4)	39,069	-	-	-	39,069	(822)
CAPITAL END OF YEAR	5,768,307	224,065	2,124,702	138,956	8,256,030	6,096,661
UNDISTRIBUTED INCOME	120,690	15,461	141,284	7,406	284,841	241,721
BALANCE END OF YEAR	\$ 5,888,997	\$ 239,526	\$ 2,265,986	\$ 146,362	\$ 8,540,871	\$ 6,338,382

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

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THE LETHBRIDGE COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2005

	2005	2004
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Increase in undistributed income	\$ 43,120	\$ 190,663
Donations and bequests	1,942,983	561,484
Transfers	232,960	100,785
Capital withdrawals	<u>(55,643)</u>	<u>-</u>
	2,163,420	852,932
Net change in non-cash working capital balances		
Accounts receivable	(413)	866
Prepaid expenses	749	(2,689)
Accounts and grants payable	<u>(40,590)</u>	<u>30,415</u>
	2,123,166	881,524
Administrative expense reserve	40,079	32,478
INVESTMENTS		
Net decrease (increase) in value of investments	<u>(2,122,651)</u>	<u>(920,024)</u>
INCREASE IN CASH POSITION	40,594	(6,022)
CASH POSITION AT BEGINNING OF YEAR	<u>67,908</u>	<u>73,930</u>
CASH POSITION AT END OF YEAR	<u><u>\$ 108,502</u></u>	<u><u>\$ 67,908</u></u>

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

THE LETHBRIDGE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

1. PURPOSE OF THE ORGANIZATION

The Lethbridge Community Foundation (the "Foundation") was incorporated without share capital by a special statute of the Legislative Assembly of the Province of Alberta in 1966 and then continued under the Lethbridge Community Foundation Act, 1994, 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 of which is to be used to meet the changing needs and opportunities across all sectors of southwestern Alberta through grantmaking 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.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles and follow the restricted fund method of accounting for contributions. Because certain donors have provided amounts for special purposes, the financial statements have been presented in a manner which segregates the Community Fund (unrestricted) from Designated Funds (for special purposes).

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

Designated 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.

The more significant accounting policies followed by the Foundation have been summarized to facilitate a review of the financial statements:

a) Revenue Recognition

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 is recognized as revenue as it is earned and allocated to each fund proportionately, based on the investments held in that fund.

b) Donations in kind and amounts contributed for reimbursement of specific expenses are included in "donations and bequests".

c) Donated amounts for which the capital is to be preserved are recorded as fund capital. In addition, realized capital gains are recorded in fund balances.

THE LETHBRIDGE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Capital Assets

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

e) Investments are recorded at quoted market values. Accordingly, increases and decreases in the market values are directly reflected in the related fund balances.

f) The Foundation's financial instruments consist of cash, accounts receivable, investments and accounts and grants payable. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

g) Funds

Managed funds are comprised of externally restricted contributions and attributed cumulative net growth that are not required to be maintained in perpetuity.

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 described below:

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

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

Designated

Donors indicate one or more specific charities for support.

THE LETHBRIDGE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

3. GRANTS

	Number of Grants	Amount
GENERAL COMMUNITY FUND		
Historical and Educational Needs	9	\$ 34,553
Social and Health Needs	20	71,625
Culture, Recreation and Environment Needs	10	35,433
	39	\$ 141,611
FIELD OF INTEREST FUNDS		
	5	\$ 7,850
DESIGNATED FUNDS		
	25	\$ 84,450
MANAGED FUNDS		
	2	\$ 11,827

4. CASH SURRENDER VALUE LIFE INSURANCE POLICIES

	2005	2004
Balance, beginning of year	\$ 51,098	\$ 57,920
Life insurance premiums paid by donors	56,826	56,438
Less cost of insurance	(17,757)	(57,260)
Balance, end of year	\$ 96,167	\$ 57,098

5. OTHER REVENUE

	2005	2004
Flow through grants received from anonymous and other donors	\$ 79,591	\$ 198,156

THE LETHBRIDGE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

6. ADMINISTRATIVE EXPENSES

	2005	2004
Advertising and publicity	\$ 4,224	\$ 3,870
Annual report	5,440	2,879
Bank charges	359	219
Contribution solicitation costs (note 8)	16,948	15,405
Convention and travel	2,132	5,261
GST	4,652	3,800
Hardware and software equipment purchases	1,750	319
Insurance and licenses	2,216	1,822
Internet home page	260	227
Investment counsel, custodial, and brokerage fees	32,118	15,661
Management and professional fees	53,597	53,270
Memberships	1,111	833
New logo expense	11,602	-
Office, stationery and postage	5,328	4,897
Public functions	(1,707)	(404)
Rent	7,260	7,260
Telephone	2,399	2,312
	149,689	117,631
Less recovered expenses	7,700	3,200
	\$ 141,989	\$ 114,431
Allocated to:		
General Community Funds	119,864	93,464
Field of Interest Funds	2,109	2,051
Designated Funds	18,469	17,124
Managed Funds	1,547	1,792
	\$ 141,989	\$ 114,431
Administrative expenses of the General Community Funds are funded by:		
Income earned - allocated for operating costs	\$ 19,615	\$ 13,886
Administrative flow-through grants received	79,591	93,793
Administrative fee charged to other funds	22,125	20,966
	\$ 121,331	\$ 128,645

THE LETHBRIDGE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

7. LEASE COMMITMENT

The Foundation leases its premises under a lease agreement which expires December 31, 2008. The annual rental is \$7,260. There is an option to extend the lease a further three years.

8. CONTRIBUTION SOLICITATION EXPENSES

The Charitable Fundraising Act of the Government of Alberta requires the disclosure of all expenses incurred for the purpose of soliciting contributions.