

*Consolidated Financial Statements of*

**EDMONTON COMMUNITY  
FOUNDATION**

*December 31, 2012*

## Independent Auditor's Report

To the Directors of Edmonton Community Foundation

We have audited the accompanying consolidated financial statements of Edmonton Community Foundation, which comprise the consolidated statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the consolidated statements of changes in endowment funds, changes in non-endowment funds, changes in restricted fund and cash flow for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Edmonton Community Foundation as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants

April 24, 2013

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# EDMONTON COMMUNITY FOUNDATION

## Consolidated Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011


(thousands of dollars)

	Note	Dec 31, 2012	Dec 31, 2011	Jan 1, 2011
<b>ASSETS</b>				
CURRENT				
Cash and cash equivalents		\$ 2,679	\$ 2,650	\$ 2,960
Trust assets	5	-	-	160
Amounts receivable		682	594	416
		<b>3,361</b>	3,244	3,536
INVESTMENTS	6	<b>304,902</b>	280,256	273,667
CAPITAL ASSETS	7	<b>87</b>	101	113
		<b>\$ 308,350</b>	\$ 283,601	\$ 277,316
<b>LIABILITIES</b>				
CURRENT				
Accounts payable and accrued liabilities		\$ 598	\$ 490	\$ 389
Distributions payable		29	194	52
Trust liabilities	5	-	-	160
Funds administered for others	8	13,871	13,247	13,583
Deferred contributions	9	6	-	9
Deferred contributions - Province operating		-	-	53
Deferred contributions - Province Path to Loan Grants		-	-	19
Deferred contributions - Social Impact		1	1	40
		<b>14,505</b>	13,932	14,305
COMMITMENTS	10			
<b>FUND BALANCES</b>				
Endowment funds	11	<b>281,056</b>	258,026	252,225
Non-endowment funds	11	<b>10,738</b>	8,141	7,309
Restricted fund	12	<b>2,051</b>	3,502	3,477
		<b>293,845</b>	269,669	263,011
		<b>\$ 308,350</b>	\$ 283,601	\$ 277,316

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

APPROVED BY THE BOARD

..... Director

..... Director

**EDMONTON COMMUNITY FOUNDATION**  
**Consolidated Statements of Changes in Endowment Funds**  
Years ended December 31, 2012 and December 31, 2011  
(thousands of dollars)

December 31, 2012										
	Note	Community	Field of Interest	Scholarships, Bursaries and Awards	Designated	Donor Advised	Combined Purpose	Operating	Social Enterprise	Total
Contributions		\$ 36	\$ 170	\$ 124	\$ 4,675	\$ 5,946	\$ 118	\$ -	\$ 1	\$ 11,070
Investment income		1,669	859	1,338	5,926	11,670	1,316	204	150	23,132
Expenditures - net	14	(248)	(136)	(208)	(854)	(1,684)	(187)	(29)	(18)	(3,364)
Distributions approved		(539)	(433)	(430)	(2,202)	(3,494)	(569)	(78)	(41)	(7,786)
<b>INCREASE DURING THE YEAR</b>		<b>918</b>	<b>460</b>	<b>824</b>	<b>7,545</b>	<b>12,438</b>	<b>678</b>	<b>97</b>	<b>92</b>	<b>23,052</b>
<b>BALANCE, BEGINNING OF YEAR</b>		<b>30,959</b>	<b>11,981</b>	<b>16,073</b>	<b>63,945</b>	<b>127,452</b>	<b>3,203</b>	<b>2,227</b>	<b>2,186</b>	<b>258,026</b>
Transfers (to) from:	11 a)									
Non-endowment funds		-	-	-	20	(42)	-	-	-	(22)
Endowment funds		(1)	-	-	(70)	(444)	-	-	515	-
Classification adjustments		(10,998)	22	-	(258)	(95)	11,329	-	-	-
<b>BALANCE, END OF YEAR</b>		<b>\$ 20,878</b>	<b>\$ 12,463</b>	<b>\$ 16,897</b>	<b>\$ 71,182</b>	<b>\$ 139,309</b>	<b>\$ 15,210</b>	<b>\$ 2,324</b>	<b>\$ 2,793</b>	<b>\$ 281,056</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**EDMONTON COMMUNITY FOUNDATION**  
**Consolidated Statements of Changes in Endowment Funds**

Years ended December 31, 2012 and December 31, 2011

(thousands of dollars)

December 31, 2011										
	Note	Community	Field of Interest	Scholarships, Bursaries and Awards	Designated	Donor Advised	Combined Purpose	Operating	Social Enterprise	Total
										(Note 2)
Contributions		\$ 142	\$ 949	\$ 81	\$ 3,861	\$ 7,787	\$ 160	\$ -	\$ 17	\$ 12,997
Investment income		603	215	312	1,130	2,222	60	43	29	4,614
Expenditures - net	14	(491)	(162)	(226)	(848)	(1,714)	(45)	(31)	(21)	(3,538)
Distributions approved	.	(1,015)	(378)	(508)	(2,143)	(3,967)	(123)	(80)	(42)	(8,256)
INCREASE (DECREASE)										
DURING THE YEAR										
		(761)	624	(341)	2,000	4,328	52	(68)	(17)	5,817
BALANCE, BEGINNING										
OF YEAR										
		31,720	15,000	16,414	58,252	123,097	3,249	2,295	2,198	252,225
Transfers (to) from: 11 a)										
Non-endowment funds		-	-	-	40	(51)	-	-	5	(6)
Endowment funds		-	-	-	(4)	4	-	-	-	-
Classification adjustments		-	(3,643)	-	3,657	74	(98)	-	-	(10)
BALANCE, END OF YEAR										
		\$ 30,959	\$ 11,981	\$ 16,073	\$ 63,945	\$ 127,452	\$ 3,203	\$ 2,227	\$ 2,186	\$ 258,026

# EDMONTON COMMUNITY FOUNDATION

## Consolidated Statements of Changes in Non-endowment Funds

Years ended December 31, 2012 and December 31, 2011

(thousands of dollars)

December 31, 2012							
	Note	Designated	Donor Advised	Combined Purpose	Social Enterprise	Flow Through	Total
Contributions		\$ 227	\$ 1,268	\$ -	\$ -	\$ 3,112	\$ 4,607
Investment income		184	343	4	6	-	537
Expenditures - net	14	(13)	(52)	-	(1)	-	(66)
Distributions approved							
General		(81)	(104)	(8)	-	(2,177)	(2,370)
Insurance premiums/other		-	-	-	-	(133)	(133)
<b>INCREASE (DECREASE) DURING THE YEAR</b>		<b>317</b>	<b>1,455</b>	<b>(4)</b>	<b>5</b>	<b>802</b>	<b>2,575</b>
<b>BALANCE, BEGINNING OF YEAR</b>		<b>2,114</b>	<b>4,459</b>	<b>32</b>	<b>62</b>	<b>1,474</b>	<b>8,141</b>
Transfers (to) from:	11 a)						
Endowment funds		-	-	-	-	22	22
<b>BALANCE, END OF YEAR</b>		<b>\$ 2,431</b>	<b>\$ 5,914</b>	<b>\$ 28</b>	<b>\$ 67</b>	<b>\$ 2,298</b>	<b>\$10,738</b>

*The accompanying notes are an integral part of these consolidated financial statements*

# EDMONTON COMMUNITY FOUNDATION

## Consolidated Statements of Changes in Non-endowment Funds

Years ended December 31, 2012 and December 31, 2011

(thousands of dollars)

December 31, 2011							
	Note	Designated	Donor Advised	Combined Purpose	Social Enterprise	Flow Through	Total (Note 2)
Contributions		\$ 615	\$ 1,107	\$ -	\$ -	\$ 2,063	\$ 3,785
Investment income		24	54	-	1	-	79
Expenditures - net	14	(25)	(36)	-	(1)	-	(62)
Distributions approved							
General		(50)	(712)	(3)	-	(2,136)	(2,901)
Insurance premiums/other		-	-	-	-	(85)	(85)
<b>INCREASE (DECREASE) DURING THE YEAR</b>		<b>564</b>	<b>413</b>	<b>(3)</b>	<b>-</b>	<b>(158)</b>	<b>816</b>
<b>BALANCE, BEGINNING OF YEAR</b>		<b>1,540</b>	<b>4,046</b>	<b>4</b>	<b>62</b>	<b>1,657</b>	<b>7,309</b>
Transfers (to) from:	11 a)						
Endowment funds		-	-	31	-	(25)	6
Classification adjustment		10	-	-	-	-	10
<b>BALANCE, END OF YEAR</b>		<b>\$ 2,114</b>	<b>\$ 4,459</b>	<b>\$ 32</b>	<b>\$ 62</b>	<b>\$ 1,474</b>	<b>\$ 8,141</b>

*The accompanying notes are an integral part of these consolidated financial statements*



**EDMONTON COMMUNITY FOUNDATION**  
**Consolidated Statements of Changes in Restricted Funds**  
Years ended December 31, 2012 and December 31, 2011  
(thousands of dollars)

	<b>2012</b>	<b>2011</b>
		(Note 2)
Investment (loss) income	<b>\$(1,451)</b>	\$ 25
(DECREASE) INCREASE DURING THE YEAR	<b>(1,451)</b>	25
BALANCE, BEGINNING OF YEAR	<b>3,502</b>	3,477
BALANCE, END OF YEAR	<b>\$ 2,051</b>	\$ 3,502

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# EDMONTON COMMUNITY FOUNDATION

## Consolidated Statements of Cash Flow

Years ended December 31, 2012 and December 31, 2011

(thousands of dollars)

	2012	2011
		(Note 2)
<b>Cash flows from operating activities</b>		
Contributions to funds administered for others	\$ 439	\$ 596
Contributions to endowment funds	11,070	12,997
Contributions to non-endowment funds	4,607	3,785
Investment income	4,994	7,182
Distributions from funds administered for others	(921)	(963)
Distributions from endowment funds	(7,795)	(8,261)
Distributions from non-endowment funds	(2,527)	(2,949)
Expenditures - net	(3,416)	(3,891)
<b>Net cash generated through operating activities</b>	<b>6,451</b>	<b>8,496</b>
<b>Cash flows from investing activities</b>		
Capital assets purchased	(19)	(31)
Investments purchased	(192,189)	(67,761)
Investments sold	185,786	58,986
<b>Net cash used in investing activities</b>	<b>(6,422)</b>	<b>(8,806)</b>
<b>NET CASH INFLOW (OUTFLOW)</b>	<b>29</b>	<b>(310)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,650</b>	<b>2,960</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,679</b>	<b>\$ 2,650</b>

*The accompanying notes are an integral part of these consolidated financial statements*

# **EDMONTON COMMUNITY FOUNDATION**

## **Notes to the Consolidated Financial Statements**

**Years ended December 31, 2012 and December 31, 2011**  
**(thousands of dollars)**

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### **1. NATURE OF THE ORGANIZATION**

The Edmonton Community Foundation (the “Foundation”) was created by the Edmonton Community Foundation Act, a special statute enacted by the Legislative Assembly of the Province of Alberta. The Foundation is a charitable public foundation registered under the Income Tax Act and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

The Foundation encourages and promotes philanthropy in the community, creates and manages a variety of funds to meet community needs and responds to emerging needs that come with changing times.

### **2. TRANSITION TO ACCOUNTING STANDARDS FOR NOT-FOR-PROFITS (NFPO)**

These consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNFPO”) issued by the Accounting Standards Board of the Canadian Institute of Chartered Accountants (“CICA”) and set out in Part III of the CICA Handbook. These have been adopted for the year ended December 31, 2012.

Section 1501, *First-Time Adoption* by not-for-profit organizations requires that comparative financial information be provided. As a result, the first date at which the Foundation has applied NFPO was January 1, 2011 (the “Transition Date”). Section 1501 requires first-time adopters to retrospectively apply all effective ASNFPO standards as of the reporting date. There are certain optional exemptions and certain mandatory exceptions for first time ASNFPO adopters that they can apply in the conversion from Canadian generally accepted accounting principles (“GAAP”).

The Foundation has elected to take the exemption to apply section 3856.13(a) (Part II – Accounting Standards for Private Enterprises) to designate certain financial assets to be measured at fair value in accordance with the standards set out in section 3586. Investments are the only financial asset designated at fair value. There is no retroactive restatement required for applying this exemption as the Foundation previously carried these designated financial instruments at fair value.

The adoption of ASNFPO required no transition adjustments to amounts reported in prior periods.

### **3. ACCOUNTING POLICIES**

The Foundation’s accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and reflect the following policies:

#### *Basis of presentation*

The consolidated financial statements include the accounts of the Foundation and its beneficially owned entities: 1073122 Alberta Ltd., the Edmonton Community Foundation Investment Trust, the Edmonton Community Foundation Real Estate Investment Trust and the Edmonton Community Foundation Investment Trust (Local).

**EDMONTON COMMUNITY FOUNDATION**  
**Notes to the Consolidated Financial Statements**  
Years ended December 31, 2012 and December 31, 2011  
(thousands of dollars)

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**3. ACCOUNTING POLICIES (continued)**

*Cash and cash equivalents*

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments, cashable without penalty after 29 days. Cash and cash equivalents exclude cash held in investments.

*Fund accounting*

The accounts of the Foundation are maintained in accordance with the principles of restricted fund accounting for contributions. The accounts have been segregated into endowment funds, non-endowment funds and a restricted fund as described in Notes 11 and 12.

*Capital assets*

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful life of the related asset at terms ranging from 5 to 10 years. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

When a capital asset no longer has any long-term service potential to the Foundation, the excess of its net carrying amount over any residual value is recognized as an expense in the appropriate restricted fund.

*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 endowment, non-endowment or restricted fund in the period of receipt.

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

Investment income is comprised of interest, dividends, net rental income and realized and unrealized gains and losses, net of direct investment expenses. Dividend income is recognized based on the ex-dividend date, and interest income and real estate income are recognized on the accrual basis as earned. Since real estate income is based on fair value adjustments, a charge for depreciation and amortization is excluded from the determination of real estate income. Certain management and performance fees for externally-managed private equity are offset against investment income. Investment income is allocated to each fund proportionately, based on the fair value of each fund.

*Contributed services*

The Foundation is governed and supported by numerous volunteers. Contributed services are not reflected in these consolidated financial statements as determining their fair value is not practicable.

**EDMONTON COMMUNITY FOUNDATION**  
**Notes to the Consolidated Financial Statements**  
Years ended December 31, 2012 and December 31, 2011  
(thousands of dollars)

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**3. ACCOUNTING POLICIES (continued)**

*Foreign exchange*

Investment transactions in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the date of the transaction. Investments held in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at year-end.

Foreign exchange gains or losses are recorded in investment income.

*Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument.

Changes in the fair value of investments are recorded in the consolidated statements of changes in endowment funds, changes in non-endowment funds and changes in the restricted fund, and are presented as investment income. Purchases and sales of investments are recorded at the trade date. Transaction costs are expensed as incurred.

Publicly traded investments, comprised of money market funds, bonds, debentures, mutual funds and shares, are recorded at fair value using quoted market values. Investments in core real estate are recorded at fair value as appraised at year-end using a direct comparison approach. Rental revenue earned on investments in core real estate is recorded as investment income.

Investments in certain limited partnerships include private equity, infrastructure and real estate investments and represent the Foundation's pro rata interest in the net assets of the partnerships as at year-end.

The fair value of limited partnership investments is calculated using the most recent audited or unaudited financial statements available. These statements include the fair value of the limited partnerships as determined by the external managers using accepted industry valuation methods. When the date of these financial statements does not coincide with year-end, the carrying value recorded by the Foundation includes adjustments for the estimated and/or actual amounts of cash flows for the intervening period, including contributions, distributions, interest income, realized gains (losses), management fees and general expenses. Management estimates the change in fair value from the most recent statement date to year-end. The fair value is determined using inputs observed from markets comparable to the underlying investments held by the Foundation, in conjunction with relevant fair value information received from external managers. It is reasonably possible that the recognized amount could change by a material amount in the near term.

**EDMONTON COMMUNITY FOUNDATION**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2012 and December 31, 2011**  
**(thousands of dollars)**

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**3. ACCOUNTING POLICIES (continued)**

As at January 1, 2011, December 31, 2011 and December 31, 2012, the Foundation had not designated any derivative financial instruments as hedges for accounting purposes.

Derivative financial instruments are required to be carried at fair value and are included in the consolidated statement of financial position in investments. Changes in the fair value of these derivative financial instruments are recorded in the consolidated statements of changes in endowment funds, changes in non-endowment funds and changes in the restricted fund, and presented as investment income. Fair value of foreign exchange forward contracts is determined based on valuations provided by the instrument managers. The foreign exchange forward contracts are not eligible for hedge accounting.

*Use of estimates*

The preparation of the consolidated financial statements in accordance with ASNFPO 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 income and expenses during the year. Key areas of estimation where management has made subjective judgments, often as a result of matters that are inherently uncertain, include those relating to useful life of capital assets and corresponding depreciation rates, fair values of investments, certain custodian and investment counsel fees, accrued liabilities for items where the invoice has not been received, accruals for investment income not yet received and disclosure of the amount of deferred gifts. Actual results could differ materially from those estimates.

**4. RISK MANAGEMENT**

In the normal course of operations, the Foundation is exposed to a variety of financial risks which are actively managed by the Foundation. The Foundation adheres to an Asset Management Plan and Investment Policies and Guidelines that outline the objectives to ensure that the Foundation's investments are managed effectively, prudently and in compliance with all applicable requirements. The Foundation's investment policy does not pertain to investments contributed to the Foundation by donors or contributions by donors with specific investment instructions until those investments or contributions are allocated to an investment manager subject to this policy.

The plan and policies are reviewed on a regular basis, along with the investment portfolio, to ensure all activities are in compliance. The policy includes a list of permitted investments, restrictions on minimum and maximum amounts in each asset class, the maximum amounts of the fair value of the investment manager's holdings invested in the securities of a single issuer and the maximum amounts of non-Canadian investments, and it prescribes limits around the quality and concentration of the investment portfolio. Borrowing is not permitted. The Foundation may hold derivative financial, commodity or currency-related instruments in accordance with a program accepted in writing by the Investment Committee and approved by the Board.

The Foundation's exposure to and management of risk has not changed materially since December 31, 2011.

**EDMONTON COMMUNITY FOUNDATION**  
**Notes to the Consolidated Financial Statements**  
Years ended December 31, 2012 and December 31, 2011  
(thousands of dollars)

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**4. RISK MANAGEMENT (continued)**

*Market risk*

Market risk is the risk that the fair value or future cash flows of the Foundation's financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments denominated in currencies other than the functional currency of the Foundation will fluctuate due to changes in foreign exchange rates. The Foundation is directly exposed to currency risk on its foreign market equities and limited partnerships portfolio investments and indirectly within the underlying limited partnerships investments in various portfolio companies, of which some are denominated in functional currencies other than that of the limited partnership. The objective of the Foundation's investment policy is to control currency risk by maintaining a geographically diversified portfolio.

From time to time, the Foundation may enter into foreign currency agreements with financial institutions to mitigate the foreign currency (exchange) risk for investments that are maintained in foreign currencies. The Foundation had a number of foreign currency contracts outstanding at December 31, 2012, as detailed on the Schedule of Foreign Exchange Forward Contracts, related to underlying assets of \$128,404 (December 31, 2011 - \$110,642; January 1, 2011 - \$106,756).

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises when the Foundation invests in interest-bearing financial instruments. The Foundation is directly exposed to interest risk on its bonds, debentures, mortgages and loans receivable. The Foundation is indirectly exposed to interest rate risk on certain limited partnership investments that are comprised of both equity and debt instruments. The objective of the Foundation's investment policy is to control interest rate risk by managing its interest rate exposure.

**EDMONTON COMMUNITY FOUNDATION**  
**Notes to the Consolidated Financial Statements**  
Years ended December 31, 2012 and December 31, 2011  
(thousands of dollars)

**4. RISK MANAGEMENT (continued)**

The term to maturity and related fair values of Consolidated Trust Fund investments in bonds, debentures and note, excluding pooled funds, and mortgages held by the Foundation at December 31, 2012, are as follows:

<b>December 31, 2012</b>				
<b>Stated Interest Rate</b>	<b>Term to Maturity</b>			<b>Total</b>
	<b>0-5 years</b>	<b>6-10 years</b>	<b>+10 years</b>	
1.50 - 4.00%	\$ 1,305	\$ 5,073	\$ 486	\$ 6,864
4.01 - 6.00%	-	-	7,730	7,730
6.01 - 8.00%	-	-	9,941	9,941
8.01 - 10.00%	-	-	4,998	4,998
10.01 - 12.00%	-	-	95	95
	<b>\$ 1,305</b>	<b>\$ 5,073</b>	<b>\$ 23,250</b>	<b>\$ 29,628</b>

<b>December 31, 2011 (Note 2)</b>				
<b>Stated Interest Rate</b>	<b>Term to Maturity</b>			<b>Total</b>
	<b>0-5 years</b>	<b>6-10 years</b>	<b>+10 years</b>	
1.50 - 4.00%	\$ 576	\$ 4,420	\$ -	\$ 4,996
4.01 - 6.00%	-	916	6,200	7,116
6.01 - 8.00%	-	-	12,040	12,040
8.01 - 10.00%	-	-	2,728	2,728
10.01 - 12.00%	-	-	97	97
	<b>\$ 576</b>	<b>\$ 5,336</b>	<b>\$ 21,065</b>	<b>\$ 26,977</b>

<b>January 1, 2011 (Note 2)</b>				
<b>Stated Interest Rate</b>	<b>Term to Maturity</b>			<b>Total</b>
	<b>0-5 years</b>	<b>6-10 years</b>	<b>+10 years</b>	
1.50 - 4.00%	\$ 103	\$ 2,890	\$ -	\$ 2,993
4.01 - 6.00%	-	4,813	5,862	10,675
6.01 - 8.00%	-	-	10,264	10,264
8.01 - 10.00%	-	-	2,539	2,539
10.01 - 12.00%	-	-	92	92
	<b>\$ 103</b>	<b>\$ 7,703</b>	<b>\$ 18,757</b>	<b>\$ 26,563</b>



**EDMONTON COMMUNITY FOUNDATION**  
**Notes to the Consolidated Financial Statements**  
Years ended December 31, 2012 and December 31, 2011  
(thousands of dollars)

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**4. RISK MANAGEMENT (continued)**

c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation is exposed to price risk on its investments in common equities and on the portion of the limited partnerships portfolio invested in equities. The objective of the Foundation's investment policy is to control equity price risk by maintaining a portfolio which is diversified across geographic and industry sectors.

The Foundation's Consolidated Trust Fund equity portfolio, including investments in private equities, is allocated to six investment managers.

Approximately 40.7% (December 31, 2011 – 37.5%; January 1, 2011 – 39.9%) of the Foundation's equity investments are invested in Canadian equities.

Approximately 31.5% (December 31, 2011 – 35.3%; January 1, 2011 – 30.4%) of the Foundation's equity investments are invested in United States equities by three managers and 27.8% (December 31, 2011 – 27.2%; January 1, 2011 – 29.7%) are invested in international equities by three managers.

*Liquidity risk*

Liquidity risk is the risk that the Foundation cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk is managed as the majority of the Foundation's assets are in investments that are traded in an active market and can be readily liquidated. Liquidity is achieved by limiting the amount invested in closed-ended funds. In addition, the Foundation maintains sufficient cash position to manage liquidity as per the cash management policy. The Foundation's contractual liabilities are all due within one year, with the exception of the following: investment commitments, future years' distributions and lease commitments as set out in Note 10.

*Credit risk*

Credit risk is the potential for financial loss should a counterparty in a transaction fail to meet its obligations. The Foundation's investments in short-term investments, bonds, debentures, mortgages and loans receivable are subject to credit risk. The maximum exposure to credit risk on these financial instruments is their carrying value. The fair value of debt investments included in limited partnerships' portfolios includes consideration of the credit worthiness of the portfolio company, and accordingly, represents the maximum credit risk exposure to the Foundation. The investment policy of the Foundation mandates that bond investments have a minimum credit rating of BBB when purchased; up to 15% of the bond portfolio can be invested in bonds with a BBB rating. The weighted average credit rating of the bond portfolio will be maintained at or above A. The investment policy also mandates that short-term investments will have a minimum credit rating of R-1 or its equivalent when purchased. The Foundation monitors its credit risk policies on a regular basis.

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**5. TRUST ASSETS AND LIABILITIES**

Trust assets represent a separate bank account held on behalf of one program. The Foundation was obligated to administer and disburse these funds in accordance with the agreement.

**6. INVESTMENTS**

*a) Other Trust Fund investments*

Certain endowment funds received in 2011 are held outside of the Consolidated Trust Fund. They are either governed under separate policies until those investments are allocated to an investment manager subject to the Consolidated Trust Fund policy or are administered under a specific program based on the agreements with the donors.

	<b>Dec 31, 2012</b>	<b>Dec 31, 2011</b>	<b>Jan 1, 2011</b>
		(Note 2)	(Note 2)
<b>Other Trust Fund investments</b>			
Cash (overdraft)	\$ 1	\$ (8)	\$ -
Money market funds	3	28	22
	<b>4</b>	20	22
Bonds and debentures	<b>1,563</b>	298	281
Equities			
Canada	<b>100</b>	651	728
United States	<b>28</b>	28	27
International	<b>17</b>	57	65
	<b>145</b>	736	820
	<b>\$ 1,712</b>	\$ 1,054	\$ 1,123

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**6. INVESTMENTS (continued)**

*b) Consolidated Trust Fund investments*

The Foundation holds most of the endowment and non-endowment funds (excluding flow-through funds) and all funds administered for others within the Consolidated Trust Fund which is subject to the Foundation's Asset Management Plan and Investment Policies and Guidelines as discussed in Note 4.

	<b>Dec 31, 2012</b>	<b>Dec 31, 2011</b>	<b>Jan 1, 2011</b>
		(Note 2)	(Note 2)
<b>Consolidated Trust Fund investments</b>			
Cash on account	\$ 4,193	\$ 14,389	\$ 9,812
Money market funds	<b>14,753</b>	14,577	8,813
	<b>18,946</b>	28,966	18,625
Bonds, debentures and note			
Government of Canada	4,108	4,876	5,780
Provincial governments	25,222	21,851	20,459
Municipal governments	298	250	230
Corporate bonds - pooled funds	37,991	35,983	34,945
Monetization trust note	-	-	94
	<b>67,619</b>	62,960	61,508
Mortgage funds	<b>3,426</b>	3,164	3,228
Infrastructure - limited partnership	<b>4,981</b>	4,772	4,692
Real estate investment trusts			
Core real estate	4,536	6,850	6,700
Limited partnerships	5,178	7,644	7,430
	<b>9,714</b>	14,494	14,130
Equities			
Canada	80,980	61,413	67,365
United States	52,873	50,050	48,338
United States - private equity limited partnerships	9,784	7,821	3,182
International	42,218	33,145	39,766
International - private equity limited partnerships	13,070	11,493	10,396
	<b>198,925</b>	163,922	169,047
Foreign exchange forward contracts - Schedule	(421)	924	1,314
Total Consolidated Trust Fund investments	<b>303,190</b>	279,202	272,544
Total Other Trust Fund investments (brought forward)	1,712	1,054	1,123
<b>Total investments</b>	<b>\$ 304,902</b>	\$ 280,256	\$ 273,667

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**6. INVESTMENTS (continued)**

The underlying purpose of the Foundation's Consolidated Trust Fund investments is to support endowment, non-endowment, restricted and administered funds. Endowment, non-endowment and restricted funds are expected to be held for the long term. Administered funds may be withdrawn by the charitable organization at any time with appropriate notice. The majority of the Foundation's investments are highly liquid and publicly traded. As a result, the Foundation may buy or sell investments to improve investment returns or to meet obligations as they come due. The interest rate and maturity date sensitive investments include money market funds and bonds and debentures which, when recorded at fair value, reflect the sensitivity and economic impact of interest and maturity.

Direct investment expenses were \$888 (2011 - \$769).

Included in investment income is interest income of \$842 (2011 - \$754).

Net gains recognized on financial instruments is \$19,449 (2011 – net losses of \$2,050).

**7. CAPITAL ASSETS**

	Note	Furniture & fixtures	Office equipment	Computer equipment	Leasehold improvements	Total
<b>Cost</b>						
Beginning balance January 1, 2011	2	\$ 90	\$ 6	\$ 224	\$ 81	\$ 401
Additions		9	-	8	14	31
Disposals		-	-	(1)	-	(1)
Ending balance December 31, 2011	2	99	6	231	95	431
<b>Additions</b>		<b>3</b>	<b>2</b>	<b>14</b>	<b>-</b>	<b>19</b>
<b>Ending balance December 31, 2012</b>		<b>\$ 102</b>	<b>\$ 8</b>	<b>\$ 245</b>	<b>\$ 95</b>	<b>\$ 450</b>
<b>Accumulated amortization</b>						
Beginning balance January 1, 2011	2	\$ 54	\$ 3	\$ 161	\$ 70	\$ 288
Disposals		-	-	(1)	-	(1)
Amortization		6	1	24	12	43
Ending balance December 31, 2011	2	60	4	184	82	330
<b>Amortization</b>		<b>7</b>	<b>1</b>	<b>22</b>	<b>3</b>	<b>33</b>
<b>Ending balance December 31, 2012</b>		<b>\$ 67</b>	<b>\$ 5</b>	<b>\$ 206</b>	<b>\$ 85</b>	<b>\$ 363</b>
Carrying amounts						
At January 1, 2011		\$ 36	\$ 3	\$ 63	\$ 11	\$ 113
At December 31, 2011		39	2	47	13	101
<b>At December 31, 2012</b>		<b>35</b>	<b>3</b>	<b>39</b>	<b>10</b>	<b>87</b>

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**8. FUNDS ADMINISTERED FOR OTHERS**

These funds belong to other charitable organizations and are pooled for investment purposes with the Foundation's endowment and non-endowment funds. Accordingly, these consolidated financial statements include assets administered for other charitable organizations with a corresponding liability comprised of the following:

	<b>2012</b>	<b>2011</b>
		(Note 2)
Contributions	\$ 439	\$ 596
Investment income	1,107	256
Administrative fees	(133)	(114)
Distributions	(789)	(1,074)
Increase (decrease) during the year	624	(336)
Balance, beginning of year	13,247	13,583
Balance, end of year	<b>\$ 13,871</b>	<b>\$ 13,247</b>

**9. DEFERRED CONTRIBUTIONS**

Deferred contributions are externally restricted for operating purposes and are recognized as contributions as the related expenses are incurred.

	<b>2012</b>	<b>2011</b>
		(Note 2)
Balance, beginning of year	\$ -	\$ 9
Deferred contributions received	319	202
Amount recognized in revenue during the year	(313)	(211)
Balance, end of year	<b>\$ 6</b>	<b>\$ -</b>

**10. COMMITMENTS**

The Foundation has unfunded investment commitments related to the limited partnerships. At December 31, 2012 the unfunded amount for the private equity investments denominated in Euros is €1,883 and translated into Canadian dollars in the amount of \$2,472. For the private equity investments denominated in U.S. dollars is \$20,968 U.S. and translated into Canadian dollars in the amount of \$20,878. For the infrastructure investment denominated in U.S. dollars is \$898 U.S. and translated into Canadian dollars in the amount of \$894. The unfunded amounts may be drawn on demand.

The Foundation has approved at December 31, 2012 approximately \$900 for distribution from future years' income attributable to the endowment and non-endowment funds.

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**10. COMMITMENTS (continued)**

Future annual lease payments in respect of office premises and office equipment are as follows:

2013	\$	7
2014		5
2015		5
2016		4
2017 and thereafter		1
	\$	22

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**11. ENDOWMENT AND NON-ENDOWMENT FUNDS**

Endowment funds, comprised of permanent contributions and attributed cumulative net growth, are administered in accordance with the objectives established by the donor.

Non-endowment funds, comprised of externally restricted contributions and attributed cumulative net growth, are not required to be maintained in perpetuity.

On an annual basis, the Foundation distributes a portion of the fair 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 the 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:

*Community*

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.

*Scholarships, bursaries and awards*

Scholarships, bursaries and awards are granted to students for a wide range of continuing education opportunities.

*Designated*

Donors indicate one or more specific charities for support.

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**11. ENDOWMENT AND NON-ENDOWMENT FUNDS (continued)**

*Donor advised*

Donors consult with the Foundation and advise regularly regarding the distributions from these funds.

*Combined purpose*

Donors indicate that portions of the net proceeds are to be distributed using a number of different strategies including discretionary, donor advised and designated.

*Operating*

Donors indicate they wish to support the operations of the Foundation.

*Social enterprise*

Social enterprise funds provide alternative financing, leverage mainstream funding and technical assistance support to charities undertaking social enterprises.

*Flow through*

Donors designate their gifts as being non-endowed and request that the entire gift be distributed to specific charities, usually within two years.

*a) Fund transfers and classification changes*

The Winspear Fund, with a balance of \$11,329 as at December 31, 2011 was included in the Community endowment funds. This fund was reclassified to the Combined Purpose endowment funds as of January 1, 2012. This reclassification was done to better reflect how fund income is disbursed. Pursuant to an amending agreement, 50% of approved distributions were disbursed at the discretion of the Board of Directors, and 50% of distributions were allocated and disbursed based on percentage allocations to specific charities and/or among fields of interests.

Transfers between funds and classification changes reflect updates or changes to how grants from a fund are managed. This may be a result of funds emerging, changes to fund agreements, or reinterpretation of fund agreements.

**12. RESTRICTED FUND**

A restricted fund has been established, at the discretion of the Board of Directors, to report the unrealized gain (loss) on the core real estate investment that houses the operations of the Foundation. The Foundation's Board of Directors maintains disbursement and capital preservation policies and procedures to both maximize support for charitable activities and to protect the value of the funds. Due to the different operating nature of this investment, the unrealized gains (losses) will not be available for distribution until such gains (losses) are realized.

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**13. DEFERRED GIFTS**

The Foundation is the beneficiary of certain trusts, the value of which approximates \$1,777 at December 31, 2012 (December 31, 2011 - \$1,597; January 1, 2011 – \$4,532). The residual value of these trusts will be recorded in the consolidated financial statements when the proceeds are received by the Foundation.

The Foundation is the owner and beneficiary of several life insurance policies. The benefit from these policies will be recorded in the consolidated financial statements when proceeds are received by the Foundation.

**14. EXPENDITURES**

	<b>Dec 31, 2012</b>	<b>Dec 31, 2011</b>
		(Note 2)
Salaries and contract services	<b>\$ 1,579</b>	\$ 1,454
Custodian and investment counsel	<b>1,866</b>	1,724
Office	<b>272</b>	258
Communications	<b>195</b>	213
Donor services	<b>29</b>	18
Occupancy	<b>78</b>	48
Amortization	<b>33</b>	43
Professional fees	<b>98</b>	98
Program and community support	<b>73</b>	85
Professional development and meetings	<b>33</b>	39
	<b>4,256</b>	3,980
Less:		
Contributions to offset expenditures	<b>(693)</b>	(266)
Fees charged on funds administered for others	<b>(133)</b>	(114)
<b>Total expenditures - net</b>	<b>\$ 3,430</b>	<b>\$ 3,600</b>
Allocated to:		
Endowment funds	<b>\$ 3,364</b>	\$ 3,538
Non-endowment funds	<b>66</b>	62
	<b>\$ 3,430</b>	<b>\$ 3,600</b>

The Foundation allocates expenditures to each endowment and non-endowment fund proportionately based on the fair value of each fund. Administrative fees are allocated to funds administered for others in accordance with the agreements. Expenses incurred for a specific fund are charged to that fund.



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**15. EDMONTON SOCIAL ENTERPRISE LOAN FUND**

Edmonton Social Enterprise Loan Fund (the "Fund") was incorporated under Part 9 of the Companies Act of the Province of Alberta, R.S.A. 2000, c. C-21, as a non-profit corporation on September 24, 2008.

The Fund is established to facilitate the development and growth of social enterprises in Edmonton and area that foster social benefits including employment creation, the provision of affordable housing and other similar socially beneficial programs and projects with economic benefits.

The Foundation and the City of Edmonton are the members of the Fund. The Fund has not been consolidated in the Foundation's statements.

**Edmonton Social Enterprise Loan Fund**  
**Financial position**

	<b>Dec 31, 2012</b>	<b>Dec 31, 2011</b>	<b>Jan 1, 2011</b>
		(Note 2)	(Note 2)
Total assets	<b>\$ 2,477</b>	\$ 2,433	\$ 2,418
Total liabilities	<b>670</b>	609	569
Total net assets	<b>\$ 1,807</b>	\$ 1,824	\$ 1,849

**Results of operations**

	<b>2012</b>	<b>2011</b>
		(Note 2)
Interest revenue	<b>\$ 58</b>	\$ 45
Interest payable to investment in trust	<b>(8)</b>	(5)
Expenses	<b>(7)</b>	(5)
Distributions	<b>(60)</b>	(60)
Deficiency of contributions over distributions	<b>\$ (17)</b>	\$ (25)

**16. FUND-RAISING EXPENSES AND OTHER**

As required under Section 7(2) of the Regulations of the Charitable Fund-raising Act of Alberta, the Foundation discloses that the expenses for the purposes of soliciting contributions were nil (2011 - nil). Total amount paid as remuneration to employees of the Foundation whose principal duties involve fundraising was nil (2011 - nil).

No single disposition of contributions equaled or exceeded 10% of the gross contributions received for the 12-month period ended December 31, 2012 (2011 - nil).

# EDMONTON COMMUNITY FOUNDATION

## Schedule of Foreign Exchange Forward Contracts

Year ended December 31, 2012

(thousands of dollars)

Currency Description	Contracts Settling on January 7, 2013			Contracts Settling on April 4, 2013			Total Notional CAD Exposure	Total Fair Value	Net FX Contracts Payables/Receivables
	CAD Base Cost	CAD Value	Fair Value	Notional CAD Exposure and CAD Base Cost	CAD Value	Fair Value			
			(1)	(2)		(3)	(1) and (2)	(1) and (3)	
Australian Dollar	\$ 1,211	\$ 1,189	\$ (22)	\$ 1,210	\$ 1,206	(4)	\$ 1,188	\$ (26)	\$ (1,176)
Swiss Franc	5,853	5,635	(218)	5,864	5,873	9	5,646	(209)	(5,370)
Euro Currency Unit	2,904	2,798	(106)	2,904	2,912	8	2,798	(98)	(2,206)
Japanese Yen	960	1,026	66	678	682	4	744	70	(58,702)
Norwegian Krone	337	322	(15)	338	337	(1)	323	(16)	(1,891)
Singapore Dollar	314	308	(6)	315	314	(1)	309	(7)	(386)
U.S. Dollar	12,780	12,669	(111)	13,209	13,185	(24)	13,098	(135)	(13,239)
<b>Total</b>	<b>\$ 24,359</b>	<b>\$ 23,947</b>	<b>\$ (412)</b>	<b>\$ 24,518</b>	<b>\$ 24,509</b>	<b>(9)</b>	<b>\$ 24,106</b>	<b>\$ (421)</b>	<b>\$ (82,970)</b>
							<b>Dec 31, 2012</b>		<b>Dec 31, 2011</b>
Favourable forward currency contracts							\$ 87	\$	983
Unfavourable forward currency contracts							(508)		(59)
							<b>\$ (421)</b>	<b>\$</b>	<b>924</b>

(Note 2)