

**ALBERTA EMERALD FOUNDATION**  
Financial Statements  
Year Ended June 30, 2017

# ALBERTA EMERALD FOUNDATION

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Year Ended June 30, 2017

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## INDEPENDENT AUDITORS' REPORT

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### To the Members of Alberta Emerald Foundation

We have audited the accompanying financial statements of Alberta Emerald Foundation, which comprise the statement of financial position as at June 30, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

### Basis for Qualified Opinion

In common with many not-for-profit organizations, Alberta Emerald Foundation derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Alberta Emerald Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the year ended June 30, 2017, current assets and net assets as at June 30, 2017.

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**Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Alberta Emerald Foundation as at June 30, 2017 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.

**Other Matter**

The financial statements for the prior year were audited by another firm of chartered professional accountants who expressed a qualified opinion regarding the completeness of donation revenue dated October 14, 2016.

*Collins Barrow Edmonton LLP*

Edmonton, Alberta  
September 8, 2017

Chartered Professional Accountants

# ALBERTA EMERALD FOUNDATION

## Statement of Financial Position

June 30, 2017

	2017	2016
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 373,878	\$ 641,074
Contributions and other amounts receivable	76,626	8,537
Prepaid expenses	2,902	2,686
Goods and Services Tax receivable	3,587	6,333
	<b>456,993</b>	658,630
EQUIPMENT (Note 3)	884	1,964
INVESTMENTS	726,057	655,775
	<b>\$ 1,183,934</b>	\$ 1,316,369
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 36,979	\$ 220,791
Deferred contributions (Note 5)	25,500	25,000
	<b>62,479</b>	245,791
<b>NET ASSETS</b>		
Unrestricted	671,455	620,578
Endowment fund (Note 4)	450,000	450,000
	<b>1,121,455</b>	1,070,578
	<b>\$ 1,183,934</b>	\$ 1,316,369

COMMITMENT (Note 11)

### ON BEHALF OF THE BOARD

\_\_\_\_\_ Chair

\_\_\_\_\_ Treasurer

See notes to financial statements

# ALBERTA EMERALD FOUNDATION

## Statement of Operations

Year Ended June 30, 2017

	2017	2016
<b>REVENUES</b>		
Contributions and donations	\$ 424,163	\$ 521,033
Donated services ( <i>Note 6</i> )	57,220	70,657
Interest income	33,292	96,531
	<b>514,675</b>	<b>688,221</b>
<b>EXPENSES</b>		
Wages and director's contract	172,786	165,913
Advertising	105,276	182,562
Facility rental	74,868	87,089
Nominations and selections	50,264	47,373
Production and design	44,802	79,592
Office	20,057	17,186
Food and beverage	16,960	17,249
Professional fees	11,959	15,456
Investment fees	10,389	9,595
Sub-contracts	2,076	16,102
Memberships	1,186	1,266
Amortization	1,080	2,401
	<b>511,703</b>	<b>641,784</b>
<b>EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	<b>2,972</b>	<b>46,437</b>
<b>OTHER INCOME (LOSS)</b>		
Unrealized gains (losses) on investments	47,905	(69,341)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$ 50,877</b>	<b>\$ (22,904)</b>

See notes to financial statements

# ALBERTA EMERALD FOUNDATION

## Statement of Changes in Net Assets

Year Ended June 30, 2017

	Unrestricted	Endowment	2017	2016
		Fund		
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 620,578	\$ 450,000	\$ <b>1,070,578</b>	\$ 1,093,482
Excess (deficiency) of revenues over expenses	50,877	-	<b>50,877</b>	(22,904)
<b>NET ASSETS - END OF YEAR</b>	\$ 671,455	\$ 450,000	\$ <b>1,121,455</b>	\$ 1,070,578

See notes to financial statements

# ALBERTA EMERALD FOUNDATION

## Statement of Cash Flows

Year Ended June 30, 2017

	2017	2016
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ 50,877	\$ (22,904)
Items not affecting cash:		
Amortization	1,080	2,401
Unrealized (gains) losses on investments	(47,905)	69,341
	<b>4,052</b>	<b>48,838</b>
Changes in non-cash working capital:		
Contributions and other amounts receivable	(68,089)	61,463
Prepaid expenses	(216)	(1,193)
Goods and Services Tax receivable	2,746	1,565
Accounts payable and accrued liabilities	(183,812)	153,588
Deferred contributions	500	(25,000)
	<b>(248,871)</b>	<b>190,423</b>
	<b>(244,819)</b>	<b>239,261</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	-	(4,365)
Net purchase of investments	(22,377)	(81,337)
	<b>(22,377)</b>	<b>(85,702)</b>
<b>(DECREASE) INCREASE IN CASH</b>	<b>(267,196)</b>	<b>153,559</b>
Cash - beginning of year	641,074	487,515
<b>CASH - END OF YEAR</b>	<b>\$ 373,878</b>	<b>\$ 641,074</b>

See notes to financial statements



# ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2017

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## 1. PURPOSE OF THE FOUNDATION

Alberta Emerald Foundation's (the "Foundation") mission is to stimulate public awareness of environmental progress in Alberta by celebrating and promoting environmental excellence. The Foundation is a registered charity incorporated in the province of Alberta and is therefore exempt from taxation under the Income Tax Act (Canada).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies observed in the preparation of the financial statements are summarized below.

### (a) Cash and cash equivalents

Cash and cash equivalents consist of operating bank account and a treasury bill savings account which is recorded at fair value.

### (b) Investments

Investments are recorded at fair value. Fair value is determined based on quoted market values for publicly traded equities and bonds. Changes in fair values from one period to the next are included in other income.

### (c) Equipment

Equipment is stated at cost less accumulated amortization. Equipment is amortized over its estimated useful life at the following rates and methods:

Computer equipment	55%	declining balance method
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In the year of purchase, amortization on equipment is taken at one half of the normal amount.

### (d) Revenue recognition

Alberta Emerald Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

### (e) Donated Goods and Services

Goods and services are donated to assist the Foundation in carrying out its various activities. These goods and services are those that the Foundation would have purchased in their normal course of operations. Donated goods are recorded at their fair market value at the time of the donation where the fair value can be determined by management.

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# ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (f) Financial instruments

#### *Measurement of Financial Instruments*

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

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

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and investments, which are measured at fair value.

Financial assets measured at amortized cost include contributions and other amounts receivable.

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

#### *Transactions costs*

Transaction costs and financing fees are expensed as incurred for financial instruments measured at fair value.

#### *Impairment*

Financial assets measured at cost or amortized cost are tested for impairment, at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in operations.

### (g) Use of Estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates included in the financial statements pertain to the valuation of contributions and other amounts receivables, useful life of equipment, the deferral of contributions and accrual of expenses. Actual results could differ from these estimates.

## 3. EQUIPMENT

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer equipment	\$ 6,020	\$ 5,136	\$ 884	\$ 1,964

# ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2017

## 4. ENDOWMENT FUND

In 2007, the Board of Directors created the Alberta Emerald Foundation Managed Fund, an endowment fund, to support the setup, operations, and funding commitments of the Foundation (formerly known as Centre for Environmental Excellence). The fund was established by means of a \$450,000 grant from the Government of Alberta to the Foundation.

The Alberta Emerald Foundation Managed Fund is maintained by the Calgary Foundation ("TCF"). Subject to a management fund agreement, TCF maintains fixed income investments, Canadian equities, US equities and international equities on behalf of the Foundation. The Foundation has access to the capital and the income earned from the investments when providing a specified period of notice to TCF dependant upon the amount reinvested. Any income earned on the fund is unrestricted. Per the agreement, the fund is required to be invested in a manner that sustains the long term inflation adjusted value of the fund. At year end, the Foundation had not requested any funds to be withdrawn (2016 - \$nil).

## 5. DEFERRED CONTRIBUTIONS

Deferred contributions represents funds received from donors and sponsors for specific events. They are recognized as revenue as related expenditures are incurred.

	2017	2016
Deferred contributions, beginning of year	\$ 25,000	\$ 50,000
Less: amount recognized as revenue in the year	(25,000)	(25,000)
Contributions received during the year	25,500	-
	\$ 25,500	\$ 25,000

## 6. DONATED SERVICES

Included in revenue and expenses is advertising and production time with a fair value of \$50,000 (2016 - \$50,000), volunteer hours through the SCiP Internship program with a fair value of \$nil (2016 -\$13,437) and rent with a fair value of \$7,220 (2016 - \$7,220).

# ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2017

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## 7. PERMANENT ENDOWMENTS

By way of external and internal funded contributions, the Board of Directors established two endowment funds, the Alberta Emerald Foundation Fund ("AEFF") and the Alberta Emerald Foundation Endowment Fund ("AEFEF"). The intent and purpose of these two endowment funds was to celebrate and advance excellence in environmental matters and to provide financial support to the operations of the Foundation. The AEFF is administered by the Edmonton Community Foundation ("ECF"). The AEFEF is administered by The Calgary Foundation ("TCF").

Under the terms of the agreements with the ECF and TCF, the endowments are characterized as permanent endowments. Accordingly, the endowment assets are not recognized in the financial statements of the Foundation. The AEFF and AEFEF are pooled with the assets of the ECF and TCF and may consist of income trust, royalty trust, and real estate investment trust bonds, domestic and foreign equities, and mutual funds. The funds are not to be invested in derivative instruments.

As of June 30, 2017, total contributions to the AEFF amounted to \$460,000 (2016 - \$460,000).

As of June 30, 2017, total contributions to the AEFEF amounted to \$10,000 (2016 - \$10,000).

During the fiscal year, the Board of Directors may, at its discretion, internally restrict any excess of revenues over expenses from operations to fund the permanent endowments.

The permanent endowments shall continue indefinitely and shall be on the basis of perpetual life. Under the terms of the agreements with ECF and TCF, the Foundation is provided with grants from the ECF and TCF based on the net income and market value of each fund, which is to be distributed at the discretion of the ECF and TCF. These grants are recognized as revenue in the statement of operations.

## 8. RELATED PARTY TRANSACTIONS

Donations from companies related to the members of the Board of Governors comprise 52.4% (2016 - 34.3%) of the Foundation's total contributions and donations revenue for the year.

## 9. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments. The following analysis provides information about the Foundation's risk exposure and concentration as of June 30, 2017.

### Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Foundation is exposed to credit risk from donors, and the maximum exposure to this risk is the carrying value of contributions and other amounts receivable on the statement of financial position. The Foundation is subject to concentration of credit risk as 98% of its contributions and other amounts receivable were due from three donors.

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# ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2017

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## 9. FINANCIAL INSTRUMENTS *(continued)*

### Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting its financial obligations as they become due. In order to manage this risk, the Foundation forecasts its requirements to determine whether sufficient funds will be available. The Foundation expects to generate sufficient funds through contributions and donations.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Foundation is mainly exposed to interest rate risk and other price risk.

### 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. The Foundation is exposed to interest rate risk primarily through its fixed income investments in the custody of the Calgary Foundation and the Edmonton Community Foundation (Notes 4 and 8).

### 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 (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk through its investments in the custody of the Calgary Foundation and the Edmonton Community Foundation (Note 8). The risk is managed by the Calgary Foundation and the Edmonton Community Foundation's investment policies that prescribe the investment asset mix, including the degree of liquidity and concentration, the amount of foreign content and the credit ratings of debt issuers. The Foundation's exposure relates primarily to the amount of earnings received from the portfolios.

## 10. COMPARATIVE FIGURES

For purposes of the 2017 financial statements, long-term deferred contributions of \$450,000 were reclassified to net assets. The comparative balance was reclassified to confirm to the current year's presentation.

## 11. COMMITMENT

The Foundation has entered into an agreement with a video production company to produce "Emerald Awards Finalist Videos" for a period of three years. Future payments as at year end are as follows:

2018	\$	50,000
2019		50,000