

ALBERTA EMERALD FOUNDATION
Financial Statements
Year Ended June 30, 2019

ALBERTA EMERALD FOUNDATION

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Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of

Alberta Emerald Foundation

We have audited the financial statements of Alberta Emerald Foundation (the Foundation), which comprise the statement of financial position as at June 30, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2019, 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 Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to contributions, deficiency of revenues over expenses, current assets and net assets.

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

Other Matter

The financial statements for the year ended June 30, 2018 were audited by another public accounting firm who expressed a qualified opinion on those financial statements on November 27, 2018 for the reasons described in the *Basis for Qualified Opinion* section.

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 relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to

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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.

Edmonton, Alberta
November 26, 2019

RSM Alberta LLP
Chartered Professional Accountants

ALBERTA EMERALD FOUNDATION

Statement of Financial Position

June 30, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 132,063	\$ 184,156
Contributions and other amounts receivable	2,123	24,633
Prepaid expenses	5,820	5,757
Goods and Services Tax receivable	2,108	3,380
	142,114	217,926
EQUIPMENT (Note 3)	179	397
ENDOWMENT FUND (Note 4)	790,887	781,942
	\$ 933,180	\$ 1,000,265
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 34,706	\$ 16,957
Deferred contributions (Note 5)	25,000	5,000
	59,706	21,957
NET ASSETS		
Unrestricted	423,474	528,308
Endowment fund (Note 4)	450,000	450,000
	873,474	978,308
	\$ 933,180	\$ 1,000,265

COMMITMENT (Note 9)

ON BEHALF OF THE BOARD

_____ Chair

_____ Treasurer

See notes to financial statements

ALBERTA EMERALD FOUNDATION

Statement of Operations

Year Ended June 30, 2019

	2019	2018
REVENUES		
Contributions and donations	\$ 311,785	\$ 336,803
EXPENSES		
Wages and director's contract	175,021	182,217
Advertising	132,351	116,077
Nominations and selections	68,830	65,857
Production and design	25,915	118,295
Office	16,910	12,476
Food and beverage	13,045	9,636
Investment fees	11,563	11,264
Professional fees	9,738	9,812
Facility rental	6,165	18,201
Sub-contracts	2,537	2,992
Memberships	392	392
Amortization	218	486
	462,685	547,705
DEFICIENCY OF REVENUES OVER EXPENSES BEFORE OTHER INCOME	(150,900)	(210,902)
OTHER INCOME		
Investment income (Note 6)	43,942	46,664
Unrealized gains on investments	2,124	21,091
	46,066	67,755
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (104,834)	\$ (143,147)

See notes to financial statements

ALBERTA EMERALD FOUNDATION

Statement of Changes in Net Assets

Year Ended June 30, 2019

	Unrestricted	Endowment Fund	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 528,308	\$ 450,000	\$ 978,308	\$ 1,121,455
DEFICIENCY OF REVENUES OVER EXPENSES	(104,834)	-	(104,834)	(143,147)
NET ASSETS - END OF YEAR	\$ 423,474	\$ 450,000	\$ 873,474	\$ 978,308

See notes to financial statements

ALBERTA EMERALD FOUNDATION

Statement of Cash Flows

Year Ended June 30, 2019

	2019	2018
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (104,834)	\$ (143,147)
Items not affecting cash:		
Amortization of equipment	218	486
Unrealized gains on investments	(2,124)	(21,091)
Income from endowment reinvested	(31,821)	(34,794)
	(138,561)	(198,546)
Changes in non-cash working capital:		
Contributions and other amounts receivable	22,510	51,993
Prepaid expenses	(63)	(2,855)
Goods and Services Tax receivable	1,272	207
Accounts payable and accrued liabilities	17,749	(20,021)
Deferred contributions	20,000	(20,500)
	61,468	8,824
	(77,093)	(189,722)
INVESTING ACTIVITY		
Proceeds on disposal of investments	25,000	-
DECREASE IN CASH	(52,093)	(189,722)
Cash - beginning of year	184,156	373,878
CASH - END OF YEAR	\$ 132,063	\$ 184,156

See notes to financial statements

ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2019

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

Cash consists of an operating bank account and a treasury bill savings account.

(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 as unrealized gains and losses.

(c) Equipment

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

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.

Investment income consisting of interest, dividends and realized gains and losses are 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, 2019

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 investments, which are measured at fair value.

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

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

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	2019 Net book value	2018 Net book value
Computer equipment	\$ 6,020	\$ 5,841	\$ 179	\$ 397

ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2019

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 (2018 - \$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.

	2019	2018
Deferred contributions, beginning of year	\$ 5,000	\$ 25,500
Less: amount recognized as revenue in the year	(269,802)	(303,073)
Contributions received during the year	289,802	282,573
	\$ 25,000	\$ 5,000

6. INVESTMENT INCOME

	2019	2018
Interest	\$ 6,588	\$ 5,693
Dividends	11,679	11,382
Realized gains	25,675	29,589
Total investment income	\$ 43,942	\$ 46,664
Investment income consists of:		
Income reinvested	\$ 31,821	\$ 34,794
Income received	12,121	11,870
Total	\$ 43,942	\$ 46,664

ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2019

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, 2019, total contributions to the AEFF amounted to \$460,000 (2018 - \$460,000).

As of June 30, 2019, total contributions to the AEFEF amounted to \$10,000 (2018 - \$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. During the year, grant revenues of \$24,717 (2018 - \$24,922) were recognized in the Statement of Operations.

8. RELATED PARTY TRANSACTIONS

Donations from companies related to the members of the Board of Directors comprise 42.11% (2018 - 19.70%) of the Foundation's total contributions and donations revenue for the year.

9. COMMITMENT

The Foundation has entered into an agreement with a video production company to produce "Documentary Series" in 2020. Future payments as at year end were \$36,750.

ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2019

10. 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, 2019.

(a) 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 97% (2018 - 93%) of its contributions and other amounts receivable were due from three donors.

(b) 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.

(c) 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.

(d) 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 7).

(e) 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 7). 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.