
SASKATOON COMMUNITY FOUNDATION

**Financial Statements
December 31, 2006**

April 10, 2007

Auditors' Report

To the Board of Directors of The Saskatoon Community Foundation

We have audited the statement of financial position of **The Saskatoon Community Foundation** as at December 31, 2006 and the statements of endowment, discretionary capital, equity in capital assets and revenue and expenditures for the year then ended. These financial statements are the responsibility of the foundation's management. 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, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

SASKATOON COMMUNITY FOUNDATION


Statement of Financial Position

December 31, 2006, with comparative figures for 2005.

	2006	2005
Assets		
Current assets:		
Cash	\$ 98,851	\$ 158,130
Accounts Receivable	45,523	11,881
Prepaid expenses	2,124	2,124
	<u>146,498</u>	<u>172,135</u>
Investments, at market (note 2)	19,161,664	14,491,039
Cash surrender value of life insurance (note 3)	169,202	106,157
Capital assets, net (note 4)	4,781	7,033
	<u>\$ 19,482,145</u>	<u>\$ 14,776,364</u>
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable	\$ 43,487	\$ 36,071
Grants payable	1,586	9,404
Trust projects payable	26,310	64,107
Flow through funds payable (note 5)	72,298	124,371
Unearned revenue	15,925	4,000
Managed funds, at market (note 6)	4,435,197	2,016,117
	<u>4,594,803</u>	<u>2,254,070</u>
Equity in capital assets	4,781	7,033
Endowment (note 7)	14,882,561	12,515,261
	<u>14,887,342</u>	<u>12,522,294</u>
	<u>\$ 19,482,145</u>	<u>\$ 14,776,364</u>

Approved by the Board of Directors:

 Director

 Director

SASKATOON COMMUNITY FOUNDATION

Statement of Equity in Capital Assets

For the year ended December 31, 2006 with comparative figures for 2005.

	2006		2005	
Balance, beginning of year	\$	7,033	\$	3,823
Assets purchased		-		5,607
Amortization expense		(2,252)		(2,397)
Balance, end of year	\$	4,781	\$	7,033

Statement of Discretionary Capital

	2006		2005	
Balance, beginning of year	\$	-	\$	263,735
Transfer to endowment (note 9)		-		(263,735)
Balance, end of year	\$	-	\$	-

Statement of Endowment (note 7)

	2006		2005	
Balance, beginning of year	\$	12,515,261	\$	10,846,353
Excess of revenue over expenditures		695,939		894,773
Donations including bequests		1,606,064		517,866
Change in cash surrender value of life insurance policies owned		63,045		(4,256)
Transfer (to) from equity in capital assets		2,252		(3,210)
Transfer of discretionary capital (note 9)		-		263,735
Balance, end of year	\$	14,882,561	\$	12,515,261

SASKATOON COMMUNITY FOUNDATION

Statement of Revenue and Expenditures

For the year ended December 31, 2006 with comparative figures for 2005.

	2006	2005
Revenue, Grants and Operating Expenditures:		
Investment income, net	\$ 1,541,345	\$ 1,513,018
Donations specified for community and leadership projects:		
Anonymous Donor Challenge	50,000	38,500
ArtsSmarts	-	46,538
Cameco Caring Community	30,500	30,500
Charitable activities	21,743	19,820
Other flow through donations	172,208	11,751
	274,451	147,109
Other Donations:		
Donations specified for Administration and Capacity Building	156,482	113,638
Life Insurance premiums received	71,674	70,948
Other	11,872	19,579
	240,028	204,165
	2,055,824	1,864,292
Grants and Operating Expenditures:		
Grants	732,537	522,639
Income allocated to managed funds	144,345	42,074
Life Insurance premiums paid	71,674	70,948
Operating expenditures (note 8)	411,329	333,858
	1,359,885	969,519
Excess of revenue over expenditures	\$ 695,939	\$ 894,773

Saskatoon Community Foundation

Notes to Financial Statements

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The Foundation was established as the Saskatoon Foundation by an Act of the Saskatchewan Legislature in 1970 to benefit the citizens of Saskatoon by supporting registered charitable organizations, which contribute to the quality of life in Saskatoon. The legislation was updated in 1994. In 2005, by an act of the Legislature, the name was changed to the Saskatoon Community Foundation.

The Foundation is a registered charity and is classified as a public Foundation for the purposes of the Income Tax Act (Canada).

1. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, on a restricted fund accounting basis, and include the following significant accounting policies:

Investments

Investment income includes all accrued interest, dividends and lease payments received and receivable, and all realized and unrealized market gains or losses earned on the investments, less all investment and custodial fees.

Trust projects payable

The Foundation receives funds to be used in separate programs. The Foundation administers these funds, but does not have any residual right to the funds. Accordingly, the Foundation does not include these funds in income and the disbursement of these funds is recorded as a reduction to the trust projects payable account.

Flow-through funds

Flow-through funds are not endowed. They are received as donations for distribution over a period of time for a specific project.

Cash surrender value of donated life insurance policies

Life insurance policies are recorded at their realizable value less applicable surrender charges.

Capital assets

Expenditures on capital assets are capitalized and amortized on the following basis:

Equipment	5 years straight-line
Computer equipment	3 years straight-line
Artwork	No amortization

One-half of the full year's amortization is provided in the year of acquisition.

Endowment

All contributions, including bequests and donations, identified by the donor as endowed are recorded as an increase to the endowment. The terms of the Act incorporating the Foundation are that these capital contributions are not to be expended by the Foundation. The endowment is also increased by the amount by which net investment income exceeds grants and operating expenditures for the year, and by the increase (decrease) in the cash surrender value of life insurance policies owned by the Foundation, in excess of the premiums paid to maintain those policies.

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Financial instruments

The Foundation's financial instruments are comprised of cash, accounts receivable, prepaid expenses, investments, cash surrender value of life insurance, accounts payable, grants payable, trust projects payable, flow through funds payable, unearned revenue and managed funds. The carrying values of items approximate their fair values with the exception of investments and managed funds, the carrying values of which are determined based on market values as at December 31.

The Foundation is exposed to fluctuations in market prices of stocks and bonds, interest rates and exchange rates and credit risks on bonds. The Foundation's investment policies, standards and procedures prescribe the asset mix of investments, including the amount of foreign content and credit ratings of bond issuers. These policies, standards and procedures are designed to avoid undue risk of loss and impairment of assets and to provide a reasonable expectation of fair return given the nature of the investments. The maximum investment risk of the Foundation is represented by the market value of the investments.

2. Investments

At December 31, 2006, the cost of investments, including managed funds, is \$17,538,127 (2005 - \$13,518,398). The total unrealized gains accumulated in investments at December 31, 2006, excluding unrealized gains on managed funds, are \$1,451,378 (2005 - \$872,568). The unrealized gains included in net investment income for the year-ended December 31, 2006, are \$578,810 (2005 - \$119,345).

3. Life insurance policies

The Foundation is the owner of life insurance policies with an insured value of \$3,694,279 (2005 - \$3,694,279).

Life insurance premiums paid by donors on policies owned by the Foundation are shown as both donations and operating expenses on the statement of Revenue and Expenditures.

4. Capital assets

	2006			2005
	Cost	Accumulated Amortization	Net	Net
	\$	\$	\$	\$
Equipment	23,856	22,878	978	1,361
Computer equipment	5,607	2,804	2,803	4,672
Artwork	1,000	-	1,000	1,000
	30,463	25,682	4,781	7,033

5. Flow-through funds payable

The Foundation accepts and receives funds from donors, as donations, which are to be paid out to registered charities or qualified donees. Certain of these funds have not been paid out at year-end. In the next fiscal year when the donee has completed the conditions of the agreement, the funds will be paid out and recorded as flow-through donations on the statement of Revenue and Expenditures.

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6. Managed Funds

Investments include funds which are managed by the Foundation for certain agencies. Under agreements, the Foundation manages these funds and allocates investment returns to those managed funds at the average rate of return of the investment portfolio of the Foundation, net of a fee for service.

	<u>2006</u>	<u>2005</u>
	\$	\$
Managed Funds		
Balance, beginning of year	2,016,117	1,702,584
Funds received in trust during the year	2,341,918	295,013
Income earned and allocated	318,119	42,074
Withdrawals	(228,037)	(20,363)
Administration fees charged	(12,920)	(3,191)
Total Managed Funds	<u>4,435,197</u>	<u>2,016,117</u>

7. Endowment

Income from all endowed funds is dispersed in accordance with the Foundation's policy for long-term preservation of capital and in accordance with Canada Revenue Agency regulations. The endowment is comprised of two components:

The cumulative contributions to the endowment, (by way of donations and bequests), which cannot be distributed under the terms of the legislation establishing the Foundation; and

The cumulative net investment income earned in excess of the cumulative grants and expenditures made, since the inception of the Foundation.

	<u>2006</u>	<u>2005</u>
	\$	\$
Cumulative contributions to the endowment		
Balance, beginning of year	10,606,740	10,093,130
Donations, including bequests	1,606,064	517,866
Change in cash surrender value of life insurance policies owned	63,045	(4,256)
Balance, end of year	<u>12,275,849</u>	<u>10,606,740</u>
Cumulative revenue in excess of cumulative grants and operating expenditures		
Balance, beginning of year	1,908,521	753,223
Excess of revenue over expenditures	695,939	894,773
Transfer of discretionary capital	-	263,735
Transfer (to) from equity in capital assets	2,252	(3,210)
Balance, end of year	<u>2,606,712</u>	<u>1,908,521</u>
Total Endowment	<u>14,882,561</u>	<u>12,515,261</u>

For purposes of granting, the income earned on endowed funds is either restricted or unrestricted.

Funds earning unrestricted income – are funds which support charities chosen at the discretion of the Board of Directors.

Funds earning restricted income – are funds intended to provide support for a general area such as education or the environment (Field of Interest), or to support a particular charity as named by the donor (Designated), or to support education (Student awards), or to support a charity decided by the donor on an annual basis (Donor Advised), or to support a particular charity from funds they have transferred to the Foundation (Agency Endowments).

The Board established an administrative endowment from the MacDermid Estate and other transfers. This fund is part of the funds earning restricted income. An annual allocation of a portion of the earnings on this fund is used to assist in funding administrative costs associated with operating the Foundation. In 2006 the percentage used for this allocation was 4.5% (2005 - 4.5%).

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8. Operating Expenditures

Operating Expenditures for the year ended December 31, 2006 includes \$ 40,220 relating to expenses incurred in hosting the 2006 Community Foundations of Canada conference. The value of volunteer contributed services and goods, in the amount of \$ 30,240 is included in this expense.

9. Statement of Discretionary Capital

Subsequent to the year-ended December 31, 2005, the Board of Directors passed a motion, effective December 31, 2005, to transfer \$263,735 from discretionary capital to the unrestricted portion of the endowment fund.

10. Statement of cash flows

A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other statements.

11. Significant change in accounting policy

In 2005 the Foundation changed its policy of accounting for unrealized gains on investments. Unrealized gains and losses are recorded as part of net investment income in the year they accrue. Prior to 2005, the unrealized gains (losses) on investments were recorded as a separate item in the equity section of the Statement of Financial Position.

The effects of this change in accounting policy on prior periods' Statement of Endowment were treated as adjustments to the opening balance of Endowment, increasing the January 1, 2004 balance by \$221,151 and increasing the January 1, 2005 balance by \$753,223. The increase to the January 1, 2005 balance consists of the \$221,151 above and the amount of unrealized gains included in net investment income for the year-ended December 31, 2004 of \$532,072, an increase from what was previously reported.