

Consolidated Financial Statements of

**EDMONTON COMMUNITY
FOUNDATION**

December 31, 2008

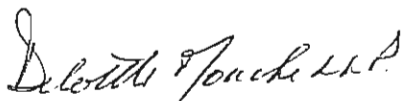
Auditors' Report

To the Directors of the
Edmonton Community Foundation

We have audited the consolidated statement of financial position of the Edmonton Community Foundation as at December 31, 2008 and the consolidated statements of changes in endowment funds, changes in non-endowment funds, changes in restricted fund and cash flow 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 consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

March 6, 2009

TABLE OF CONTENTS

	<u>PAGE</u>
Consolidated Statement of Financial Position	1
Consolidated Statement of Changes in Endowment Funds	2
Consolidated Statement of Changes in Non-endowment Funds	3
Consolidated Statement of Changes in Restricted Fund	4
Consolidated Statement of Cash Flow	5
Notes to the Consolidated Financial Statements	6 - 21

EDMONTON COMMUNITY FOUNDATION

Consolidated Statement of Financial Position

December 31, 2008
(thousands of dollars)

	2008	2007
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 2,642	\$ 1,468
Trust assets (Note 5)	766	1,198
Loans receivable - current portion (Note 6)	305	-
Amounts receivable	1,072	1,019
	4,785	3,685
LOANS RECEIVABLE (Note 6)	305	-
INVESTMENTS (Note 7)	217,373	252,378
CAPITAL ASSETS (Note 8)	155	86
	\$ 222,618	\$ 256,149
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 267	\$ 411
Distributions payable	624	31
Trust liabilities (Note 5)	766	1,198
Funds administered for others (Note 9)	16,216	20,411
Deferred contributions (Note 10)	300	271
Deferred contributions - Province operating (Note 11)	61	-
Deferred contributions - Province Path to Loan Grants (Note 12)	100	-
	18,334	22,322
COMMITMENTS		
FUND BALANCES		
Endowment funds (Note 14)	194,451	226,567
Non-endowment funds (Note 14)	6,581	6,083
Restricted fund (Note 15)	3,252	1,177
	204,284	233,827
	\$ 222,618	\$ 256,149

See accompanying notes

APPROVED BY THE BOARD

 Director

 Director

EDMONTON COMMUNITY FOUNDATION
Consolidated Statement of Changes in Endowment Funds

Year ended December 31, 2008
(thousands of dollars)

	2008						2007			
	Community	Field of Interest	Scholarships, Bursaries and Awards	Designated	Donor Advised	Combined Purpose	Operating Enterprise	Social Enterprise	Total	
Contributions	\$ 167	\$ 369	\$ 272	\$ 12,383	\$ 5,877	\$ 45	\$ -	\$ 711	\$ 19,824	\$ 37,926
Investment (losses) income	(5,748)	(2,531)	(3,166)	(11,163)	(18,148)	(577)	(470)	(75)	(41,878)	6,654
Expenditures - net (Note 19)	(190)	(171)	(216)	(750)	(1,231)	(39)	(32)	(5)	(2,634)	(2,267)
Distributions approved	(1,777)	(571)	(777)	(1,635)	(2,452)	(87)	(117)	-	(7,416)	(8,135)
Transfers (to) from:										
Non-endowment funds	-	-	-	-	(15)	-	-	-	(15)	(100)
Endowment funds	(1)	1	-	3	(153)	-	-	150	-	-
Administered funds	-	-	-	-	3	-	-	-	3	459
Restricted fund	-	-	-	-	-	-	-	-	-	(97)
Classification adjustments	(77)	31	-	(316)	(7)	-	(10)	379	-	-
(DECREASE) INCREASE DURING THE YEAR	(7,626)	(2,872)	(3,887)	(1,478)	(16,126)	(658)	(629)	1,160	(32,116)	34,440
BALANCE, BEGINNING OF YEAR	33,093	14,101	17,849	53,272	102,099	3,227	2,626	300	226,567	192,127
BALANCE, END OF YEAR	\$ 25,467	\$ 11,229	\$ 13,962	\$ 51,794	\$ 85,973	\$ 2,569	\$ 1,997	\$ 1,460	\$ 194,451	\$ 226,567

See accompanying notes

EDMONTON COMMUNITY FOUNDATION
Consolidated Statement of Changes in Non-endowment Funds
Year ended December 31, 2008
(thousands of dollars)

	2008				2007	
	Designated	Donor Advised	Combined Purpose	Social Enterprise	Flow Through	Total
Contributions	\$ 65	\$ 1,089	\$ -	\$ -	\$ 2,412	\$ 2,379
Investment (losses) income	(178)	(734)	(4)	(17)	(8)	306
Expenditures - net (Note 1.9)	(11)	(49)	-	(1)	-	(103)
Distributions approved						
General	(167)	(167)	(8)	(11)	(2,152)	(6,836)
Insurance premiums/other	-	-	-	-	(63)	(75)
Transfers (to) from:						
Administered funds	487	-	-	-	-	-
Non-endowment funds	600	(600)	-	-	-	-
Endowment funds	15	-	-	-	-	15
INCREASE (DECREASE) DURING THE YEAR	811	(461)	(12)	(29)	189	(4,229)
BALANCE, BEGINNING OF YEAR	284	4,701	30	100	968	10,312
BALANCE, END OF YEAR	\$ 1,095	\$ 4,240	\$ 18	\$ 71	\$ 1,157	\$ 6,083

See accompanying notes

EDMONTON COMMUNITY FOUNDATION
Consolidated Statement of Changes in Restricted Fund
Year ended December 31, 2008
(thousands of dollars)

	<u>2008</u>	<u>2007</u>
Investment income	\$ 2,075	\$ 133
Transfer from endowment funds	-	97
INCREASE DURING THE YEAR	2,075	230
BALANCE, BEGINNING OF YEAR	1,177	947
BALANCE, END OF YEAR	\$ 3,252	\$ 1,177

See accompanying notes

EDMONTON COMMUNITY FOUNDATION

Consolidated Statement of Cash Flow

Year ended December 31, 2008

(thousands of dollars)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Contributions to funds administered for others	\$ 596	\$ 1,460
Contributions to endowment funds	19,824	37,926
Contributions to non-endowment funds	3,566	2,379
Contributions to offset expenditures	760	688
Investment income	8,615	8,352
Fee revenue	103	81
Distributions from funds administered for others	(476)	(3,436)
Distributions from endowment funds	(6,953)	(8,221)
Distributions from non-endowment funds	(2,438)	(6,911)
Transfers to Edmonton John Howard Society	-	(215)
Expenditures	(3,587)	(3,082)
Net cash generated through operating activities	20,010	29,021
Cash flows from investing activities		
Capital assets purchased	(103)	(67)
Investments purchased	(166,360)	(281,197)
Investments sold	148,237	252,462
Net cash used in investing activities	(18,226)	(28,802)
Net cash outflows from financing activities		
Loans disbursed	(610)	-
NET CASH INFLOW	1,174	219
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,468	1,249
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,642	\$ 1,468

See accompanying notes

EDMONTON COMMUNITY FOUNDATION

Notes to the Consolidated Financial Statements

Year ended December 31, 2008

1. NATURE OF THE ORGANIZATION

The Edmonton Community Foundation Act, a special statute enacted by the Legislative Assembly of the Province of Alberta, made possible the creation of the Edmonton Community Foundation (the "Foundation"). 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 (see Note 14).

2. CHANGES AND PENDING CHANGES IN ACCOUNTING POLICIES

In December 2006, the Canadian Accounting Standards Board ("AcSB") issued a new accounting standard on disclosures about capital, to converge with recent amendments to International Financial Reporting Standard IAS 1, Presentation of Financial Statements. Section 1535, *Capital Disclosures*, requires an entity to disclose information about its objectives, policies and processes for managing capital, as well as its compliance with any externally imposed capital requirements. Rather than providing a definition for capital, the Section requires entities to describe and provide quantitative data about what they manage as capital. This new standard was adopted by the Foundation for its fiscal year beginning on January 1, 2008 (Note 17) and had no impact on its financial position or results of operations.

Emerging Issues Committee 173

In January 2009, the Emerging Issues committee ("EIC") of the Canadian Institute of Chartered Accountants issued EIC Abstract 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. This standard will become effective for the Foundation January 1, 2010 and provides guidance on the issue of whether an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The Foundation is currently assessing the impact this new section will have on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") 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
Year ended December 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents are classified as held for trading and include cash on hand, balances with banks and highly liquid temporary money market instruments, cashable without penalty after 29 days. Cash on hand in broker accounts is excluded.

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 14 and 15.

Investments

The Foundation's investments are classified as held-for-trading financial assets and are recorded at fair value. 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 restricted fund, and presented as investment income. Purchases and sales of investments are recorded at the settlement date. Transaction costs are expensed as incurred.

Publicly traded investments, comprised of cash and cash equivalents, 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 December 31 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 December 31.

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 December 31, 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. In addition, a valuation allowance is calculated to reflect management's estimate of the change in fair value from the most recent statement date to December 31. This valuation allowance 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.

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.

EDMONTON COMMUNITY FOUNDATION
Notes to the Consolidated Financial Statements
Year ended December 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets (continued)

These assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

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, realized gains (losses) and unrealized gains (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. Investment income also includes both realized and unrealized gains and losses. Since real estate income is determined on a fair value basis, 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 and hedge funds are offset against investment income. Investment income is allocated to each fund proportionately, based on the fair value of each fund. Direct investment expenses in 2008 were \$799,000 (2007 - \$594,000).

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.

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 December 31.

Foreign exchange gains or losses are recorded in investment income.

Financial instruments

The Foundation has chosen to apply Section 3861, *Financial Instruments – Disclosure and Presentation*, in place of Sections 3862, *Financial Instruments – Disclosures*, and 3863, *Financial Instruments – Presentation*.

EDMONTON COMMUNITY FOUNDATION
Notes to the Consolidated Financial Statements
Year ended December 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The Foundation has designated all financial assets and financial liabilities as held-for-trading. Changes in the fair value of financial assets and liabilities that are classified as held-for-trading are recorded immediately in the consolidated statements of changes in endowment funds, changes in non-endowment funds and changes in restricted fund.

Monetary assets and liabilities of the Foundation are recorded at fair value. The carrying value of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and distributions payable approximates their fair value due to the short-term nature of these assets and liabilities. The carrying value of loans receivable approximates fair value as the interest rates approximate current market rates at December 31.

The Foundation is exposed to fluctuations in the market prices of equities and fixed income investments, interest and exchange rates, and credit risks on fixed income investments. These risks are managed by the 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 (Note 4).

Derivative and embedded derivative financial instruments are classified as held-for-trading and 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 restricted fund, and presented as investment income. Management performed a review for embedded derivatives and none were identified.

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP 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 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.

EDMONTON COMMUNITY FOUNDATION
Notes to the Consolidated Financial Statements
Year ended December 31, 2008

4. RISK MANAGEMENT (continued)

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 list of permitted investments, restrictions on minimum and maximum amounts in each asset class, the maximum amounts on the market value of the investment manager's holdings invested in the securities of a single issuer, the maximum amounts of non-Canadian investments, and it prescribes limits around the quality and concentration of 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, 2007.

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 of 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.

International equities are denominated primarily in Euros and U.K. pound sterling. The following table summarizes the foreign exchange translation rates applied at year-end for U.S. dollars, Euros and U.K. pound sterling, and the impact a 1% change in the foreign exchange translation rates will have on the Foundation's investment in equities fair value at balance sheet date.

	<u>2008</u>	<u>2007</u>
U.S. dollar	1.22	0.99
Euro	1.70	1.44
U.K. pound sterling	1.79	1.96

(thousands of dollars)

Impact of a 1% change in U.S. dollar rate	\$ 426	\$ 495
Impact of a 1% change in Euro rate	353	484
Impact of a 1% change in U.K. pound sterling rate	56	70

EDMONTON COMMUNITY FOUNDATION
Notes to the Consolidated Financial Statements
Year ended December 31, 2008

4. RISK MANAGEMENT (continued)

a) Currency risk (continued)

As at December 31, 2008, the Foundation had no outstanding foreign currency forward contracts. As at December 31, 2007, the three outstanding contracts to sell U.S. dollars and receive Canadian dollars, had notional amounts in U.S. dollars of \$32,828,000, \$245,000 and \$33,490,000, exchange rates of 0.999, 0.999 and 0.986, and settlement dates of January 7, 2008, January 7, 2008, and February 6, 2008, respectively. The fair value of these contracts based on market rates as at December 31, 2007 was a gain of \$394,000 and was included in investments in the consolidated statement of financial position.

b) Interest rate risk

Interest rate risk is the risk that the fair value of 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. The term to maturity and related fair values of investments in bonds and debentures, excluding pooled funds, mortgages and loans receivable held by the Foundation at December 31, 2008, are as follows:

Stated Interest Rate	Term to Maturity			Total
	0-5 years	6-10 years	+10 years	
	(thousands of dollars)			
2.00 - 4.00%	\$ -	\$ -	\$ 695	\$ 695
4.01 - 6.00%	1,340	3,307	3,463	8,110
6.01 - 8.00%	-	-	12,182	12,182
8.01 - 10.00%	-	-	1,361	1,361
10.01 - 12.00%	-	-	92	92
	\$ 1,340	\$ 3,307	\$ 17,793	\$ 22,440

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 equity 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.

EDMONTON COMMUNITY FOUNDATION
Notes to the Consolidated Financial Statements
Year ended December 31, 2008

4. RISK MANAGEMENT (continued)

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. 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 13.

Credit risk

Credit risk is the potential for financial loss should 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.

5. TRUST ASSETS AND LIABILITIES

Trust assets represent separate bank accounts held on behalf of two programs. The Foundation is obligated to administer and disburse these funds in accordance with the agreements.

6. LOANS RECEIVABLE

At December 31, 2008, the Foundation has a loan receivable from a registered charity to finance the purchase of a school. The loan has been financed jointly with the Edmonton Social Enterprise Fund (Note 20). The loan has a short-term portion receivable of \$305,000 at 5% interest, paid monthly, maturing on December 10, 2009; and a long-term portion receivable of \$305,000 at 6.5% interest, paid monthly and maturing on December 10, 2010. The loan is secured by a general security agreement and a first mortgage on the school property. There was no loans receivable at December 31, 2007.

EDMONTON COMMUNITY FOUNDATION
Notes to the Consolidated Financial Statements
Year ended December 31, 2008

7. INVESTMENTS

	<u>2008</u>	<u>2007</u>
	(thousands of dollars)	
Cash on account	\$ 2,601	\$ 2,284
Money market funds	5,648	4,527
	<u>8,249</u>	<u>6,811</u>
Bonds and debentures		
Government of Canada	3,892	15,761
Provincial governments	18,548	18,665
Corporate bonds - pooled funds	36,513	37,539
	<u>58,953</u>	<u>71,965</u>
Mortgage funds	4,492	3,824
Infrastructure - limited partnership	2,574	-
Real estate investment trusts		
Publicly traded	2,272	3,314
Core real estate	6,325	2,200
Limited partnerships	7,888	7,425
	<u>16,485</u>	<u>12,939</u>
Equities		
Canada	47,670	53,723
United States	38,642	49,155
United States - private equity limited partnership	1,232	220
International	32,561	47,829
International - private equity limited partnerships	6,515	5,912
	<u>126,620</u>	<u>156,839</u>
	<u>\$ 217,373</u>	<u>\$ 252,378</u>

The underlying purpose of the Foundation's 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.

Included in investment income is a loss of \$939,000 (2007 – gain of \$764,000) related to the change in fair value of investments in certain limited partnerships and core real estate. The fair values for these limited partnerships are determined on the basis disclosed in Note 3.

EDMONTON COMMUNITY FOUNDATION
Notes to the Consolidated Financial Statements
Year ended December 31, 2008

8. CAPITAL ASSETS

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(thousands of dollars)			
Furniture and fixtures	\$ 79	\$ 42	\$ 37	\$ 26
Office equipment	2	1	1	1
Computer equipment	193	123	70	30
Leasehold improvements	65	18	47	29
	\$ 339	\$ 184	\$ 155	\$ 86

9. 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:

	2008	2007
	(thousands of dollars)	
Contributions	\$ 596	\$ 1,460
Investment income	(3,676)	690
Administrative fees	(149)	(163)
Distributions	(476)	(3,328)
Transfers to endowment funds	(490)	(459)
Decrease during the year	(4,195)	(1,800)
Balance, beginning of year	20,411	22,211
Balance, end of year	\$ 16,216	\$ 20,411

EDMONTON COMMUNITY FOUNDATION
Notes to the Consolidated Financial Statements
Year ended December 31, 2008

10. DEFERRED CONTRIBUTIONS

Deferred contributions are externally restricted for operating purposes and are recognized as contributions as the related expenses are incurred. The unamortized balance represents funds received from the City of Edmonton to support the social enterprise program and 2009 Legacy program contribution.

	<u>2008</u>	<u>2007</u>
	(thousands of dollars)	
Balance, beginning of year	\$ 271	\$ 171
Deferred contributions received	497	549
Amounts transferred to Edmonton John Howard Society	-	(127)
Amount recognized in revenue during the year	(468)	(322)
<hr/>		
Balance, end of year	<hr/> \$ 300	<hr/> \$ 271

11. DEFERRED CONTRIBUTIONS – PROVINCE OPERATING

Deferred provincial operating contributions represent unamortized resources externally restricted by the Government of Alberta, Department of Alberta Employment and Immigration to provide operational support for the social enterprise program.

	<u>2008</u>	<u>2007</u>
	(thousands of dollars)	
Balance, beginning of year	\$ -	\$ -
Deferred contributions received	72	-
Amount recognized in revenue during the year	(11)	-
<hr/>		
Balance, end of year	<hr/> \$ 61	<hr/> \$ -

12. DEFERRED CONTRIBUTIONS – PROVINCE PATH TO LOAN GRANTS

Deferred provincial path to loan grants contributions represent unamortized resources externally restricted by the Government of Alberta, Department of Alberta Employment and Immigration to provide financial support to organizations that have advanced along the development path to warrant a serious business social enterprise plan.

	<u>2008</u>	<u>2007</u>
	(thousands of dollars)	
Balance, beginning of year	\$ -	\$ -
Deferred contributions received	100	-
<hr/>		
Balance, end of year	<hr/> \$ 100	<hr/> \$ -

EDMONTON COMMUNITY FOUNDATION
Notes to the Consolidated Financial Statements
Year ended December 31, 2008

13. COMMITMENTS

The Foundation has unfunded investment commitments related to the limited partnerships. At December 31, the unfunded amount for the private equity investments denominated in Euros €6,550,000 (2007 - €8,750,000) and translated into Canadian dollars is \$11,135,000 (2007 - \$12,600,000), for the private equity investments denominated in U.S. dollars \$13,590,000 U.S. (2007 - \$9,690,000 U.S.) and translated into Canadian dollars in the amount of \$16,580,000 (2007 - \$9,593,000), for the real estate investments in Canadian dollars is nil (2007 - \$578,000) and for the infrastructure investment denominated in U.S. dollars \$2,786,000 U.S. (2007 - nil) and translated into Canadian dollars in the amount of \$3,399,000 (2007 - nil). The unfunded amounts may be drawn on demand.

The Foundation has approved at December 31 approximately \$2,359,000 (2007 - \$3,300,000) for distribution from future years' income attributable to the endowment and non-endowment funds.

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

	(thousands of dollars)
2009	\$ 27
2010	25
2011	24
2012	20
2013	2
	<hr/> \$ 98 <hr/>

14. 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 market value of each fund and capitalizes growth in excess of the distributions. Generally, this results in a net increase in each fund from year to year. Decreases in endowment funds may occur during the year when distributions exceed the growth for 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.

EDMONTON COMMUNITY FOUNDATION
Notes to the Consolidated Financial Statements
Year ended December 31, 2008

14. ENDOWMENT AND NON-ENDOWMENT FUNDS (continued)

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.

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.

EDMONTON COMMUNITY FOUNDATION
Notes to the Consolidated Financial Statements
Year ended December 31, 2008

17. CAPITAL MANAGEMENT

Through contributions from donors, the Foundation assembles and administers permanent pools of capital so the returns can be perpetually reinvested in the community. The Foundation complements and supports other charitable agencies.

It is the long-term objective of the Foundation to make available for annual granting an amount of 4.5% of the fair value of each fund in the consolidated trust fund. The Foundation must meet minimum spending requirements of the Income Tax Act, including expending in any taxation year on charitable activities or gifting to qualified donees those amounts which satisfy the Foundation's disbursement quota for that year (currently requires spending to equal to at least 3.5% of average market value calculated over two years), and all other regulatory requirements.

The Foundation shall make no distributions other than the net income each year unless so directed by a donor or so resolved by a two-thirds vote of the Board. The Board determines the percentage of the fair value of the assets of the funds of the Foundation to be used to determine the net income available for distribution. Notes 14 and 15 describe restrictions related to distributions from endowment, non-endowment and restricted funds.

18. RENTAL REVENUE

Future annual lease payments receivable in respect of investment in core real estate are as follows:

	(thousands of dollars)
2009	\$ 30
2010	31
2011	32
2012	32
2013	21
	<hr/>
	\$ 146

EDMONTON COMMUNITY FOUNDATION
Notes to the Consolidated Financial Statements
Year ended December 31, 2008

19. EXPENDITURES

	<u>2008</u>	<u>2007</u>
	(thousands of dollars)	
Salaries and contract services	\$ 1,274	\$ 1,158
Custodian and investment counsel	1,265	1,090
Office	211	209
Communications	178	188
Donor services	16	10
Occupancy	57	52
Amortization	34	14
Professional fees	66	71
Program and community support	62	77
Professional development	27	21
	<u>3,190</u>	<u>2,890</u>
Less:		
Interest	(54)	(79)
Contributions	(167)	(175)
Distributions from endowment funds	(117)	(120)
Fees charged on funds administered for others	(149)	(163)
	<u>(487)</u>	<u>(537)</u>
Total administrative expenditures - net	<u>2,703</u>	<u>2,353</u>
Direct program expenditures	409	273
Less:		
Contributions	(314)	(175)
Fees	(103)	(81)
Total direct program expenditures - net	<u>(8)</u>	<u>17</u>
Total expenditures - net	<u>\$ 2,695</u>	<u>\$ 2,370</u>
Allocated to:		
Endowment funds	\$ 2,634	\$ 2,267
Non-endowment funds	61	103
	<u>\$ 2,695</u>	<u>\$ 2,370</u>

The Foundation allocates expenditures to each endowment and non-endowment fund proportionately, based on the market 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.

EDMONTON COMMUNITY FOUNDATION
Notes to the Consolidated Financial Statements
Year ended December 31, 2008

20. EDMONTON SOCIAL ENTERPRISE LOAN FUND

Edmonton Social Enterprise Loan Fund (the "Company") 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 Company 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 Company. The Company has not been consolidated in the Foundation's statements.

Edmonton Social Enterprise Loan Fund
Financial position

	<u>2008</u>	<u>2007</u>
	(thousands of dollars)	
Total assets	\$ 2,436	\$ -
Total liabilities	3	-
Total net assets	\$ 2,433	\$ -

Results of operations

	<u>2008</u>	<u>2007</u>
	(thousands of dollars)	
Contributions	\$ 3,000	\$ -
Interest revenue	6	-
Expenses	(3)	-
Distributions	(570)	-
Excess of contributions over distributions	\$ 2,433	\$ -

The City of Edmonton contributed \$3,000,000 in seed funds to the Company in 2008. The Foundation received \$570,000 to hold in the Social Enterprise Endowment Operating Fund to permit the self-sustainability of the Social Enterprise Loan Fund. Subsequent to year-end, an additional \$570,000 was distributed to the Foundation for the same purpose.

The Company and the Foundation have together loaned \$1,000,000 to a registered charity, comprised of one loan for \$500,000 at 5% for a one-year term and a loan for \$500,000 at 6.5% for a two-year term. The Foundation funded \$610,000 of the total loan (Note 6) and \$390,000 was funded by the Company.

The Company loaned \$500,000 to a not-for-profit organization at 5% for a one-year term, maturing on December 23, 2009.