

Financial Statements of

Sussex Area Community Foundation Incorporated

Year ended July 31, 2006

AUDITOR'S REPORT

I have audited the statement of financial position of the Sussex Area Community Foundation Incorporated as at July 31, 2006 and the statements of operations and changes in fund balances and changes in net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 common with many charitable organizations, the Foundation derives revenue from donations and bequests, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues is limited to the amounts recorded in the records of the Foundation and I am not able to determine whether any adjustments might be necessary to revenues, excess revenue for the year, assets and fund balances.

In my opinion, except for the effects of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of donations and bequests referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at July 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Sussex, New Brunswick

November 3, 2006



Chartered Accountant

Sussex Area Community Foundation Incorporated

Statement of Financial Position

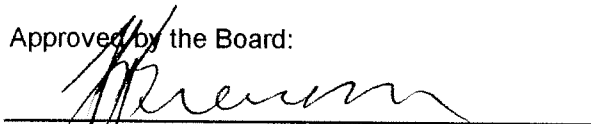
July 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets		
Cash	\$ 2,093	\$ 663
Accounts receivable	572	706
Prepaid expenses	<u>633</u>	<u>693</u>
	3,298	2,062
Investments at Market Value (note 3)	<u>1,418,785</u>	<u>1,281,269</u>
	<u>\$ 1,422,083</u>	<u>\$ 1,283,331</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	<u>\$ 3,362</u>	<u>\$ 2,874</u>
Net Assets		
Distributable income fund	20,854	20,799
Community fund	<u>1,397,867</u>	<u>1,259,658</u>
	<u>1,418,721</u>	<u>1,280,457</u>
	<u>\$ 1,422,083</u>	<u>\$ 1,283,331</u>

Commitment (note 7)

See accompanying notes to financial statements

Approved by the Board:



Chair



Treasurer

Sussex Area Community Foundation Incorporated

Statement of Operations and Changes in Net Assets

Years ended July 31, 2006 and 2005

	<u>Distributable Income Fund</u>	<u>Community Fund</u>	<u>Total 2006</u>	<u>Total 2005</u>
Revenue				
Donations and bequests (note 4)	\$ 290	\$ 159,768	\$ 160,058	\$ 1,160,993
Interest and dividends	47,960		47,960	36,974
Conference grant	1,200		1,200	
Distributed capital gains		45,405	45,405	24,540
Realized gain (loss) on sale of investments		-4,035	-4,035	20,973
Unrealized gain (loss) on investments		-53,031	-53,031	55,861
	<u>49,450</u>	<u>148,107</u>	<u>197,557</u>	<u>1,299,341</u>
Expenses				
Investment management fees (note 5)		9,898	9,898	5,591
Rent	2,579		2,579	2,150
Telephone	490		490	388
Website	218		218	340
Advertising	268		268	333
Postage	103		103	53
Supplies	116		116	201
Audit and legal	1,028		1,028	375
Insurance	525		525	109
Membership dues	359		359	170
Conference and meeting	2,889		2,889	575
Bank charges and interest	60		60	62
Miscellaneous	290		290	376
	<u>8,925</u>	<u>9,898</u>	<u>18,823</u>	<u>10,723</u>
Excess revenue over expenses before grant distributions	40,525	138,209	178,734	1,288,618
Grant distributions (note 6)	<u>40,470</u>		<u>40,470</u>	<u>7,000</u>
Excess revenue over expenses	55	138,209	138,264	1,281,618
Net Assets, beginning of year	<u>20,799</u>	<u>1,259,658</u>	<u>1,280,457</u>	<u>-1,161</u>
Net Assets, End of Year	<u>\$ 20,854</u>	<u>\$ 1,397,867</u>	<u>\$ 1,418,721</u>	<u>\$ 1,280,457</u>

See accompanying notes to financial statements

Sussex Area Community Foundation Incorporated

Notes to the Financial Statements

Years ended July 31, 2006 and 2005

1. Operations

Sussex Area Community Foundation Incorporated (the "Foundation") was incorporated under the Province of New Brunswick Companies Act on August 1, 2003.

The Foundation is registered with the Charities Division, Canada Revenue Agency, and is classified as a public foundation. As such, it is exempt from income taxes and can issue charitable donation receipts.

The Foundation is a philanthropic organization focused on building permanent endowments in order to tackle long-term community challenges as well as meeting immediate needs. The Foundation serves the people of Sussex and the surrounding area by providing grants for projects that will positively affect our communities.

2. Accounting Policies

The following accounting policies used by the Foundation are stated below to assist in understanding the financial statements.

General

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Fund Accounting

The accounts of the Foundation are maintained in accordance with the principles of "fund accounting". Under these principles, resources are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

Distributable Income Fund

The Distributable Income Fund reports all revenue, expenses and net assets of the Foundation which are available for distribution within the guidelines of the Foundation. Net expenditures of this fund are financed primarily by donor contributions directed to general operations and from investment income earned on the Community Fund contributions on which the donor has placed no restrictions.

Designated Fund

The Designated Fund reports amounts, including investment income earned on restricted Community Fund contributions, that are available to be used for purposes specified by donors. Donors may specify the charitable organization(s) to receive the grants or may identify the particular area of interest to be supported. For the period from incorporation to July 31, 2006 the Foundation had no activity in its Designated Fund.

Community Fund

The Community Fund reports amounts that are required to be maintained by the Foundation on a permanent basis.

Sussex Area Community Foundation Incorporated

Notes to the Financial Statements

Years ended July 31, 2006 and 2005

2. Accounting Policies - continued

Investments

Investments are recorded at market value. Changes in market value of investments are reflected in the fund balances. Realized and unrealized gains and losses are recorded in the year they occur.

The Board exercises discretionary control over the investment of these assets through external investment fund managers within guidelines established by the Board of Directors.

Revenue Recognition

The Foundation follows the restricted fund method of accounting for contributions. Contributions are recognized only as received, or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Expenses

Expenses are recorded using the accrual basis.

Contributed Services

During the year, a number of volunteers contribute a significant amount of their time to the Foundation. Because of the difficulty in determining the fair value, contributed services are not recorded in the financial statements.

Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The carrying value of cash, accounts receivable, prepaid expenses and accounts payable and accrued liabilities are considered to be representative of their respective fair values due to the immediate or short-term maturity of these financial instruments.

Statement of Cash Flows

A statement of cash flows has not been prepared as management considers that no additional useful information would be provided.

Sussex Area Community Foundation Incorporated

Notes to the Financial Statements

Years ended July 31, 2006 and 2005

3. Investments at Market Value

	<u>2006</u>		<u>2005</u>	
		<u>%</u>		<u>%</u>
Short Term	\$ 44,713	3.2	\$ 181,000	14.1
Bond	111,783	7.9		
Fixed Income	566,929	40.0	336,215	26.2
Income Trust	146,169	10.3	199,767	15.6
Equities				
Canada	198,591	14.0	214,664	16.8
United States	205,055	14.5	209,514	16.4
International	<u>145,545</u>	<u>10.3</u>	<u>140,109</u>	<u>10.9</u>
	<u>\$ 1,418,785</u>	<u>100</u>	<u>\$ 1,281,269</u>	<u>100</u>

4. Donations and Bequests During the Year

	<u>2006</u>	<u>2005</u>
Estate of Leo Forbes	\$ 155,609	\$ 1,160,993
Sussex Regional High School Class of 1978	3,419	
Task Force to Save 1922 Sussex Public School	740	
PCS Cassidy Lake Division - furniture	<u>290</u>	
	<u>\$ 160,058</u>	<u>\$ 1,160,993</u>

5. Investment Management Fees

Quarterly investment management fees are allocated to the Community Fund.

6. Grant Distributions

	<u>2006</u>	<u>2005</u>
Apohaqui-Lower Millstream Recreation Council	\$ 2,500	
Belleisle Community Pool Association	1,000	
Danny & Jessica Angel Foundation Inc.	1,000	\$ 1,000
Kings County Big Brothers/Big Sisters Inc.	3,000	
Kiwanis Trust Fund of Sussex Inc.		3,500
Norton Elementary School	2,500	
Salvation Army	1,092	
Sussex & Area Crisis Pregnancy Centre Inc.	1,450	
Sussex Corner Elementary School	1,828	2,500
Sussex Elementary School	3,600	
Sussex Regional High School	3,200	
Sussex Vale Transition House	2,200	
The Little Jackie Fund	2,200	
Village of Sussex Corner	<u>2,400</u>	
Grants to Organizations	27,970	7,000
Forbes Family Scholarships	<u>12,500</u>	
	<u>\$ 40,470</u>	<u>\$ 7,000</u>

7. Commitment

The Foundation received a gift from the Estate of Leo Forbes in 2004. The Board of Directors made a commitment to annually award not less than five scholarships of not less than \$2,500 each in the name of the Forbes family at the annual Sussex Regional High School commencement ceremonies.

In June 2006, the Foundation awarded Forbes Family Scholarships of \$2,500 each to five Sussex Regional High School graduates, totalling \$12,500. Payment of these scholarships is conditional on the graduate enrolling in an accredited educational institution.