Annual financial report of

THE CALGARY FOUNDATION

Year ended March 31, 2009

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Management Discussion and Analysis

For the year ended March 31, 2009

Management's discussion and analysis ("MD&A") is provided to enable a reader to assess our financial condition and results of operations for the fiscal year ended March 31, 2009, compared to the preceding year. This MD&A should be read in conjunction with our audited financial statements and related notes dated June 11, 2009. All amounts are based on financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP) except portfolio returns which are based on performance reporting methodology. The Calgary Foundation ("TCF") operates in accordance with The Calgary Foundation Act (Alberta, 1955) and bylaws and within the regulatory framework of the Income Tax Act (Canada), the Canada Revenue Agency ("CRA") guidelines and the Charitable Fund-raising Act and Regulations (Alberta). TCF has adopted Volunteer Canada's Code for Volunteer Involvement and Community Foundations of Canada's ("CFC") criteria for membership.

TCF promotes philanthropy, acts as a catalyst for community involvement, receives and manages endowed gifts, and grants to charitable organizations.

BUSINESS ENVIRONMENT

TCF's finances are impacted by the performance of both the economy and the capital markets.

The tightening of the credit markets, initiated by the asset-backed commercial paper ("ABCP") crisis and exacerbated by the perceived counterparty risks throughout the lending industry, followed by the failure and government intervention in financial institutions and the retreat of the consumer has led to the first synchronized global recession since the Second World War. Governments around the world have taken unprecedented fiscal and monetary action in attempts to limit the effects of these events but the severity and longevity of the current economic slowdown are uncertain.

As 88% of financial contributions to TCF over the last five years have been from citizens of Calgary and area, the economic environment in Calgary is critical to future gifts and demand for the services provided by the charitable sector supported by TCF. Thus the impact on the economy of the region of prices for commodities, capital availability and demand for exports have particular bearing on the economic well being of current and future donors and the level of need in the community.

Over the long term, the amount of financial assistance that TCF provides to charitable organizations is greatly dependent on the real growth of the endowment funds from investments in the capital markets. The performance of these markets impacts the financial support to charitable organizations.

A business environment that fosters entrepreneurs and supports their business success is critical to the continued growth of assets through contributions. Strong employment that fosters consumer confidence is vital to the financial support provided to TCF. A community that is open and receptive to philanthropy is necessary for the successful implementation of our strategy.

The tax and regulatory environment also impacts TCF. The reduced (to zero) inclusion rate for capital gains arising from gifts of publicly-listed securities and the Alberta tax credit of 50% for charitable donations over $200 in a calendar year will continue to affect giving levels in a positive manner. The federal government's removal of the advantage of giving publicly-listed securities to public foundations versus private foundations will negatively affect contributions to TCF.

STRATEGIC DIRECTION

TCF is not immune to the current economic recession. However, success is not won or lost with daily market fluctuations. As a long term endowment builder, TCF will continue to focus on supporting a sustainable community that benefits Calgarians now and forever.

TCF will stay the course with its investment strategy, confident that it was crafted to protect against inevitable market downturns. As an investor with a long range view, we are more concerned with longer term market results. The structure of the investment portfolio and the long term investment perspective enable us to "weather the storm."

The strategic directions identified three years ago are still relevant and necessary for continued success.

Knowledge of community needs and the charitable sector are distinguishing characteristics of TCF which has a responsibility to lead in community building, as a convener, facilitator, and catalyst. Through the Vital Signs® initiative, TCF will convene community leaders to partner in exploring the quality of life of our city, to celebrate success, and to inspire action in areas of need so that this city remains the best city in which to live.

The past success in growth of the endowment allows expanded focus to go beyond asset growth to include community impact. While TCF will continue to inspire giving, it will seek to better understand the difference it makes in the community and to have a more strategic impact through grant making. This will be even more important as the needs of the charitable sector escalate in the face of declining fundraising revenues.

TCF will focus on understanding donors and their needs in order to deliver optimum service and to forge strong relationships with donors for the long term benefit of the community. TCF will engage donors in experiencing the impact of their gifts, knowing that passion for the cause is the motivation behind each gift.

The needs of the charitable sector exceed the ability of TCF to respond. TCF will further develop its capacity to support charities by growing endowment funds. Through the Forever Funds Initiative TCF will stir public interest and foster dialogue in 5 areas of unmet needs, specifically Arts and Heritage, Mental Health, Environment, Diversity and Inclusion, and Seniors, and will inspire new gifts to address these needs.

Key Area

Particular attention will be paid to five key areas over the next three years to ensure the continued success.

- *Community Leadership: As a convener, a catalyst, and facilitator TCF demonstrates leadership as a builder of community and a builder of philanthropy*. We will focus our work on understanding the needs of the charitable sector and work proactively to meet these needs. The Forever Funds and Vital Signs® initiatives will be key components of our community leadership in the next few years.

- *Donor Engagement: Donors are satisfied and engaged with TCF for the long term*. We will invite feedback from our donors and stakeholders and be responsive to their needs through customized service. We will encourage family philanthropy and legacy planning to engage multigenerational participation.

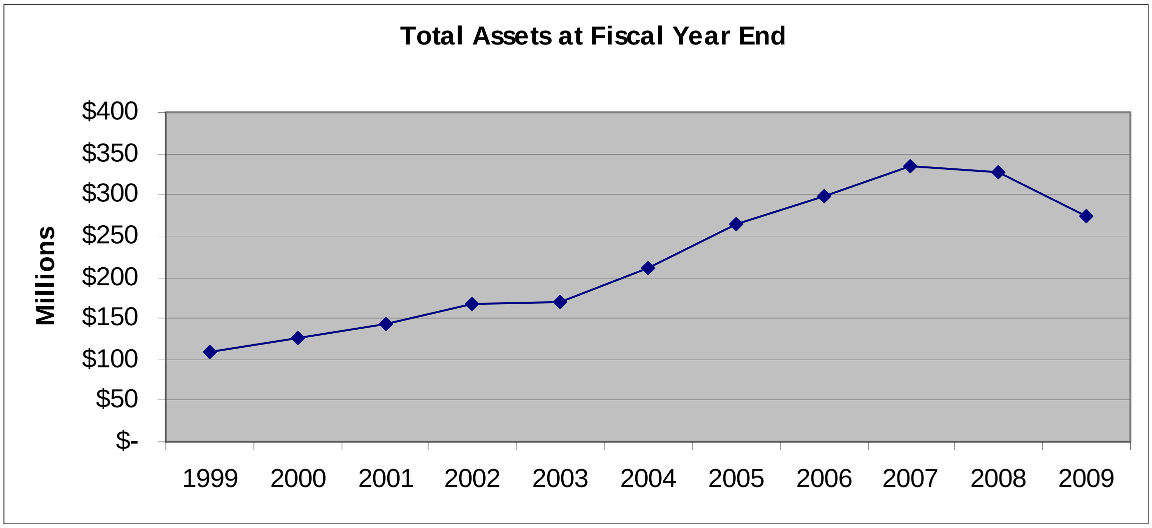
- *Public Confidence and Profile: The community understands the uniqueness of TCF and values its contributions*. The TCF story is focused on community impact. Our communications strategy and materials will reflect this focus over the next year. Through partnerships and the Forever Fund Speaker Series TCF will reach new audiences.

- *Asset Growth: The asset base continues to grow through sound investments and new gifts.* We will continue our prudent fiscal management of the investments by improving the risk profile of the primary endowment portfolio. We will thoughtfully seek new markets for the TCF message in order to attract new gifts to the endowment funds.

- *Employee and volunteer engagement: Employees and volunteers are highly satisfied and energized to work as part of the TCF team*. Recognition and learning opportunities will be key strategies to attract and retain the best in the industry. Volunteers will have continued enriching and rewarding opportunities.

ASSETS

TCF's assets under administration as at March 31, 2009 totalled $274.1 million ('m') as compared to $326.6 m at March 31, 2008. The March 31, 2009 figure represents a decrease of 16.1% from the prior year end. This single year decline was driven primarily by losses in the value of securities of $64.9 m for foundation funds and $3.1 m for managed funds. These losses outweighed the contributions ($25.2 m) and realized investment income ($14.6 m) for foundation funds and managed funds ($1.1 m). Grants and service costs were $26.4 m for foundation funds, including $8.5 m of flow-through grants. Withdrawals totalled $0.3 m for managed funds. (Managed funds are endowments owned by other charitable organizations. The managed funds liability is represented on the Statement of Financial Position as a claim on TCF's primary endowment portfolio by these other charitable organizations.) This decrease in assets compares to a decrease of 2.2% in the twelve month period ended March 31, 2008.



Investments

The total assets at March 31, 2009 included $244.3 m (2008 - $298.3 m) in investments representing $239.7 m (2008 - $290.1 m) of primary endowment portfolio investments, $3.9 m (2008 - $7.4 m) of securities retained at the direction of the donors and $0.7 m (2008 - $0.8 m) in gifted securities in the process of being monetized, all at market value.

The primary endowment portfolio is managed by external investment managers in accordance with a statement of investment policy and procedures. The investment policy sets limits on the percentage of assets held in individual securities and classes and establishes quality, liquidity and performance criteria. This policy is currently undergoing revisions in order to incorporate the outcome of the asset mix optimization exercise undertaken in fiscal 2008 and resulting changes to the portfolio structure. In September 2008, the new structure was partially implemented with the conversion of US and international equity mandates that represented 30% of the primary endowment portfolio to a global equity mandate. An allocation was also made to a new asset class, high yielding bonds.

At fiscal year-end, 32.1% (2008 - 36.2%) of the portfolio was invested in Canadian bonds, 27.6% (2008 - 34.4%) in Canadian equities, 32.0% (2008 - 28.0%) in non-Canadian global equities, 5.5% (2008 - nil) in high yield bonds and 2.8% (2008 - 1.4%) in cash.

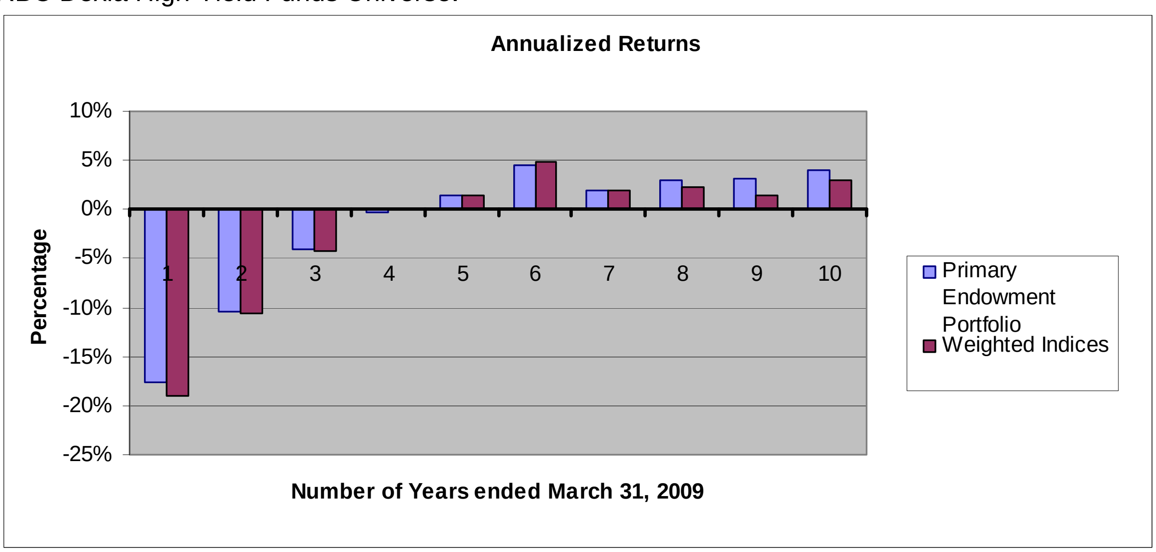
On a gross of investment fees basis, the primary endowment portfolio lost 17.6% (2008 - 2.5%) during the fiscal year. By way of comparison, a weighting of the passive benchmark indices equal to that of the portfolio lost 19.0% (2008 - 1.2%) in the same year. The median return of a generally comparable group of endowment funds was negative 14.9% (2008 - negative 2.9%).

The Canadian bond mandate is indexed to the DEX Universe. This mandate has historically tracked the DEX Universe benchmark relatively closely, but over one year, the manager's 4.8% return was approximately 0.2% behind the index. Part of the reason for the variance was the volatility and significant spread widening in the corporate bond market and the fact that returns in the Canadian bond market have been very heavily skewed toward AAA government of Canada treasuries. Notwithstanding these relative results, the universe bond portfolio added absolute value in the fiscal year.

As at fiscal year end, the global equities mandate had been in place for six months. Although global equity returns continue to be extremely negative, the manager was able to deliver respectable relative results in the last quarter of the fiscal year and managed to make up some of the deficit lost in the third quarter. The mandate, blending a growth and value style offset, lost 8.2% in the quarter ending March 31, 2009 ranking it at the 44th percentile against the manager's peer group. This performance was better than both the median and the benchmark which lost 9.0% and 10.6% respectively. The weaker Canadian dollar over the full fiscal year helped reduce the losses in Canadian dollar terms. The manager's growth component drove the premium versus the broad market in the last quarter, but the value component beat its related style index by more. The growth sleeve drove the mandate's premium against the benchmark during the market drop earlier in the quarter; the value sleeve drove the premium during the late-quarter rebound. This led to the mandate outperforming the MSCI World index during the quarter.

After two consecutive quarters of strong performance, the Canadian equity manager's results weakened in the last quarter of the fiscal year. The mandate ended the March 31, 2009 year with a -32.3% return which matched the S&P/TSX Composite Capped index but fell short of the median by 1.3%. Attribution analysis showed that taking into account both the sector weight and stock performance, materials and energy sector caused the most damage (-249 basis points, "bps"); this was partially offset by the contribution from consumer staples and financials (+173 bps). The information technology sector also aided performance (+87 bps).

As at fiscal year end, the high yield bond mandate had been in place for two quarters. Although Canadian corporate bond valuations rebounded in the first quarter, this rally did not extend into the high yield bond segment of the market which continued to be dragged down by the market's elevated sense of risk aversion. Within this environment, the high yield bond manager's results exceed both the median and benchmark by a wide margin. The fund's 2.3% for the quarter ended March 31, 2009 was almost 10% better than the blended benchmark (50% DEX High Yield Bond Index and 50% Merrill Lynch High Yield Bond Canadian Issuers Index) and 1.5% better than the RBC Dexia High Yield Funds Universe.



In support of success in our key result area of Donor Engagement, alternatives to investing endowment gifts in the primary endowment portfolio are available.

The Bank of Montreal ("BMO")/Community Foundations of Canada ("CFC") alliance 'Supporting Your Community', which is one alternative, received gifts during the period and has grown to $43 thousand ('k') (2008 - $28 k) at fiscal year end. The alliance between BMO and 38 of Canada's community foundations was created to facilitate charitable gifts by clients of BMO and to maintain the "full service" relationship between BMO's financial advisors and their clients. A statement of investment policies was agreed to by BMO and CFC on February 1, 2004 and adopted by TCF on March 21, 2005. The BMO Harris Private Banking "Balanced Growth" portfolio, to which the gifts were made, that includes Canadian, US, international and emerging market equities with Canadian bonds and cash for the year ended March 31, 2009 lost 16.6%. The first gift to this investment alternative was made in December 2007.

The $3.9 m (2008 - $7.4 m) of gifts of securities retained at the direction of the donors, which is a second alternative for investing endowment gifts, is represented by units of Penn West Energy Trust ($2.3 m - 2009, $5.4 m - 2008) and units of Energy Savings Income Fund ($1.6 m - 2009, $2.0 m - 2008). The specific conditions of the gift agreements establish the manner in which these securities are administered.

A third alternative is to enable donors to have their endowment gift to TCF managed outside the primary endowment portfolio by another investment manager. Governance and investment policies are currently being drafted to ensure appropriate oversight and due diligence processes are in place to administer these relationships and appropriately invest these assets.

Cash and cash equivalents

Cash and cash equivalents increased to $28.0 m from $26.8 m at the prior fiscal year end. The March 31, 2009 investment in cash and cash equivalents, representing capital contributions received that are to be granted to charitable organizations in the short term ("flow-through"), was $14.8 m ($18.5 m - March 31, 2008).

A balance of $5.0 m at fiscal year end was held in money market instruments anticipating its management outside the primary endowment portfolio as per the third investment alternative identified above, $2.2 m was managed by portfolio managers within the primary endowment portfolio and $1.2 m represents distributions and related interest income from securities retained at the direction of the donors.

The amount held for liquidity for grants and operational expenses is greater than the previous fiscal year as concerns regarding future cash inflows from contributions and realizable investment income have grown in importance to match the primary endowment portfolio asset mix objective to be fully invested.

TCF did not incur any losses due to the asset-backed commercial paper (ABCP) issue that arose in mid-2007.

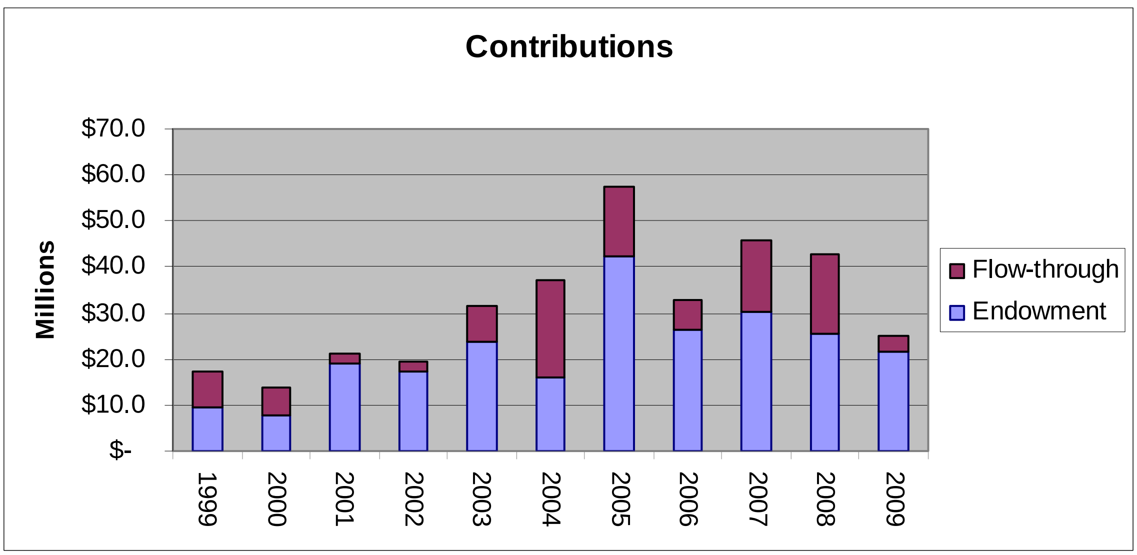
OPERATIONS

Revenue

During the twelve months ended March 31, 2009, contributions to TCF-owned endowment funds totalled $21.8 m compared to $25.6 m for the prior fiscal year. Contributions of $2.3 m for the fiscal year, compared to $2.8 m for the previous fiscal year, were directed to Community and Field-of-Interest funds (from which grants are directed to new and emerging needs of the community at the discretion of TCF). Donations of $19.5 m for the period compared to $22.8 m for the same prior year period were gifted to Donor-Advised and Designated funds. Flow-through contributions added $3.4 m in the period ($17.1 m for the twelve months ended March 31, 2008).

Contributions of non-cash gifts of $5.6 m were received as compared to $16.2 m in the previous year. Substantially all of these non-cash gifts were gifts of publicly-listed securities which were converted to cash and reinvested. This marked decline in gifts of securities as compared to the previous years was a result of the significant capital market downturn that began in September 2008. Gifts of shares have made up nearly half of the gifts received in the past few years and are gifted primarily in November and December.

Bequests make up approximately 1/3 of gifts to the foundation. There is a trend towards an increase in bequests most likely related to the life cycle of the foundation and the demographics of the city. At 54 years old, the fruits of the development efforts in the early days of the Foundation are being harvested.



Expenses incurred to operate TCF are allocated to the funds. The allocation process is described below:

(i) A percentage of the market value of the individual endowment funds is allocated to service costs on a monthly basis by way of a tiered schedule. The amount of this allocation totalled $3.0 m in 2009 and $3.1 m in 2008. The application of the schedule on a monthly basis produced revenue for service costs significantly higher in the first six months of the fiscal year than the latter half as the endowment funds lost market value with the precipitous drop in the equity markets starting in September 2008.

(ii) Interest earned on the money market instruments, representing flow-through contributions totalled $0.3 m ($0.7 m in 2008) and represented 9% of the revenue available to satisfy service costs in the year (17% in fiscal 2008). The interest revenue was significantly reduced as interest rates fell to historic lows.

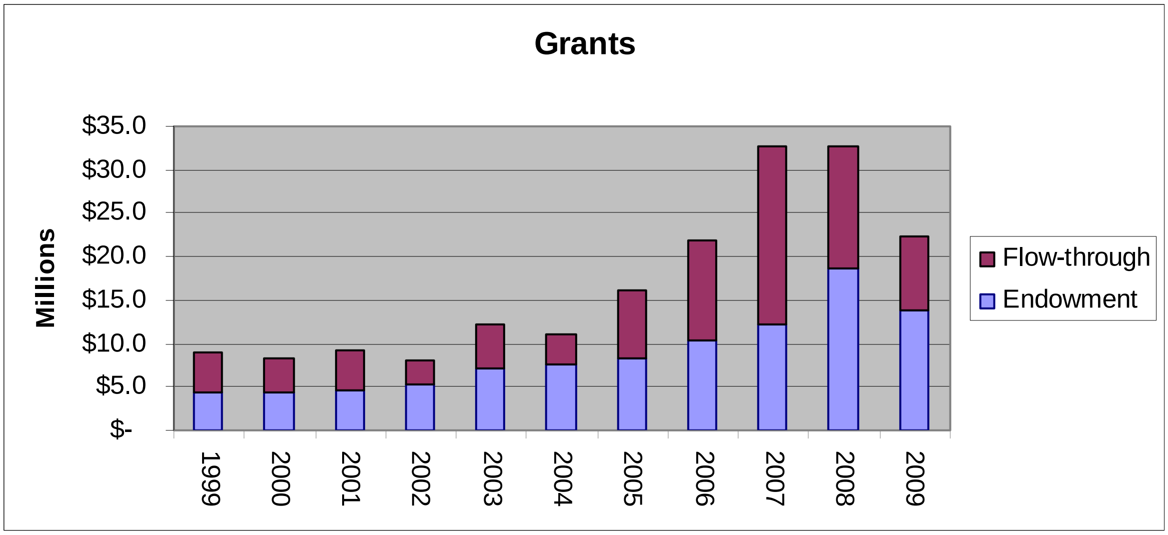
(iii) Managed funds fees of $155 k ($185 k in 2008) represented 4% of service costs for 2009 (5% for 2008) and has been decreasing as the balance of funds owned by other charitable organizations and managed by TCF has decreased since the amount peaked at $36.5 m on March 31, 2002. As the managed funds are invested in the same way as the individual endowment funds, the market impacted this source of revenue in the same manner as i) above.

Expenditures

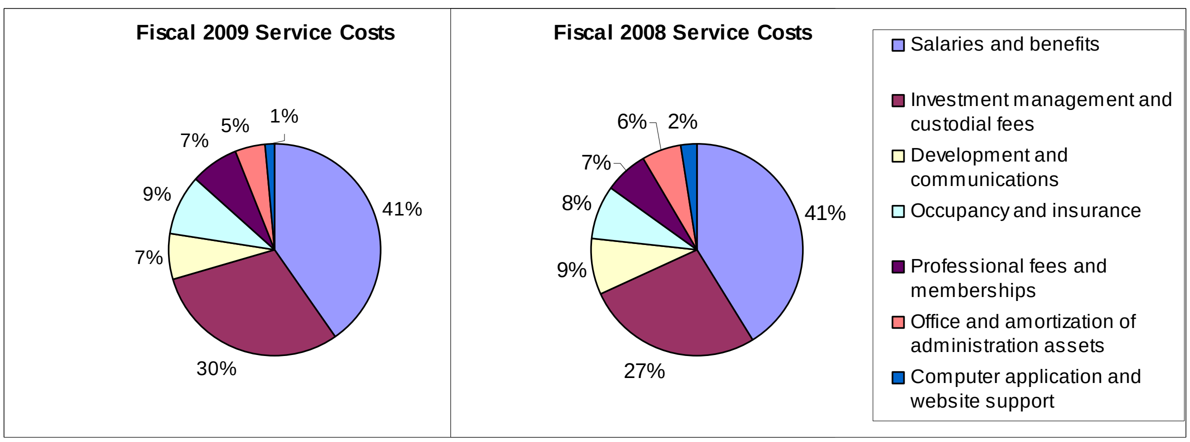
During the twelve month period, grants from endowment funds to charitable organizations totalled $13.9 m, compared with $18.7 m during the same period in 2007-08. Grants of $2.1 m ($5.5 m in the 2007-8 period) were made from Community and Field-of-Interest funds. Included in grants from these funds were grants to charitable organizations that applied for funding from the following programs at TCF: Community Grants, Neighbour Grants, Small Grants, Organization Development & Transformation Grants and Stepping Stones Grants. This year 21 Neighbour Grants supported cultural and generational exchange projects that strengthen understanding; local history and art projects that build a sense of belonging and sharing; and community garden, cycling and playground projects that enhance people’s enjoyment of their neighbourhood. Distributions to charitable organizations of $11.8 m and $13.2 m were made in the twelve month periods ended March 31, 2009 and 2008 respectively from Donor-Advised and Designated funds.

Flow-through grants were $8.5 m this year, as compared to $14.0 m for the fiscal year ended March 31, 2008. Flow-through grants are grants of capital arising from gifts that are not endowed. The timing of these flow-through grants is dependent on the timing of the donors’ advice, the status of the recipient project, CRA’s requirement to spend a minimum amount on charitable activities in a particular fiscal year (“disbursement quota”) and TCF’s disbursement quota accumulated from the five prior fiscal years.

To support success in the key result area of Public Confidence and Profile, work has begun to alter grant recipient reporting on funding received from TCF’s Community Grants Program in order to better measure TCF’s impact in the charitable sector. Additionally, efforts to translate grants data into information useful to understanding trends and allowing for analysis have begun.



The service costs incurred to execute the strategy and obtain results in the key areas totalled $4.0 m in 2009 and 2008. Over two thirds of these costs are human resource costs ($1.6 m - 2009, $1.7 m - 2008) and investment management costs ($1.2 m - 2009, $1.1 m - 2008).



Service costs included in the chart above of $147 k (2008 - $140 k) were incurred to envision, plan, create, publish and evaluate TCF's second Vital Signs® report card – a report card where Calgarians have graded the city on our overall quality of life, providing a snapshot of their views on our city's wellness and liveability. To further our objectives in the three key result areas of Community Leadership, Donor Engagement and Public Confidence and Profile, Calgary's Vital Signs® will enhance the role TCF has played in the Calgary and area community. TCF has developed an understanding of the issues that affect our city through our relationships with our donors, fund holders, grantees and committee members who help guide our Community and Field-of-Interest funds grant making decisions. Going forward, Vital Signs® will contribute to decisions by TCF in its role as grant maker.

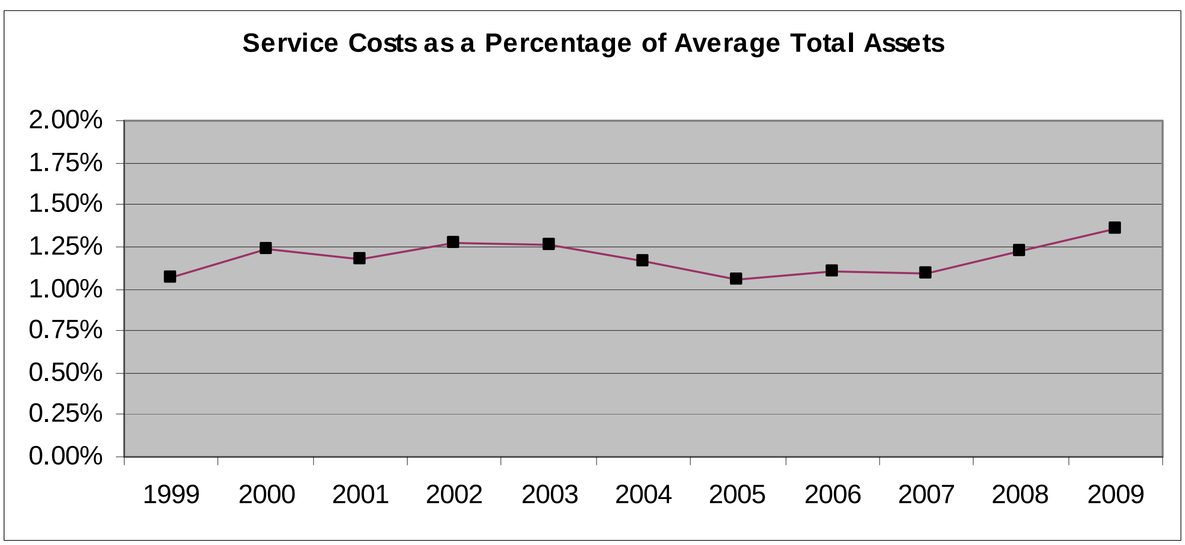
Calgary's Vital Signs® is part of a national initiative of 11 community foundations across Canada, spearheaded by CFC, to measure the overall quality of life in Canadian communities and to help identify areas for improvement. Planned as a long-term initiative, Calgary's Vital Signs® is intended to support the community through collaborative leadership and to engage citizens in a manner that will spark discussion, encourage connections and inspire action.

Included in the Professional fees and membership costs was $76 k in membership fees paid to CFC to support community foundations across Canada to uphold TCF's leadership in connecting donors to community needs and opportunities.

Part of the Development and Communications costs was approximately $24 k in expenditures to fund the Forever Fund Speaker Series activity. This activity supports the strategic direction of TCF for community leadership. Two speaker events took place, one focused on diversity and inclusion and the second on the environment.

After implementation costs of $15 k in 2008 were incurred to implement DonorCentral® and online donations in support of the Donor Engagement and Asset Growth key result areas, $1.5 k was incurred in 2009 to maintain these initiatives. DonorCentral® is an online tool to allow endowment or flow-through fund holders to view fund balances, gifts made to the funds, and grants from the funds. The ability to view and print monthly fund financial statements and make grant recommendations electronically is also incorporated. The capability to access TCF's current Community Grants projects as well as research grantee organizations is included.

Service costs as a percentage of average asset value has been commonly used by community foundations as a benchmark of efficiency. Service costs are impacted by the projects undertaken to support both operations and initiatives in the community. Strategic planning time horizons and longer term initiatives combined with uneven timing of contributions and short term vagaries of the capital markets result in wide dispersion of the ratio around the mean of 1.19% over the past decade.



OUTLOOK

Although the next twelve months are expected to be difficult in economic terms, thus increasing demand on many charitable organizations and reducing financial support for those same organizations, TCF assumes that its operations in the 2010 fiscal year will be materially consistent with those in 2009 except for the impact of those factors discussed in this outlook section.

Donors:

The impact on donors' ability to financially support their favoured charitable causes will be dependent, in part, on the depth and breadth of the recession. The performance of the stock markets will also impact the level of giving of securities, which have made up a significant percentage by dollar value of gifts over the past number of years. It is anticipated that gifts of securities will not return to their prior levels until the market capitalization of publicly traded firms has recovered. Growth of the asset size of TCF through bequests is anticipated due to the increase in the number of bequests received annually.

Grants:

TCF will continue to grant 5% of the March 31, 2009 market value of the endowment funds. This rate, although consistent with the prior year, will result in less funding dollars to charitable organizations in absolute terms over the next twelve months because of the negative impact of the returns in the capital markets.

Primary Endowment Portfolio:

The implementation of the restructuring of the asset mix will be completed over the next twelve months. Additional investment managers with smaller-sized mandates, a reduction to indexed investments and increased oversight demands will add to the cost of the new structure. Although greater than normal volatility in the capital markets are anticipated, TCF expects that the changes to the asset mix will result in risk-adjusted returns that are better, after fees, than those that would have been produced by the previous portfolio.

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AUDITORS' REPORT

To the Directors of
The Calgary Foundation

We have audited the statement of financial position of The Calgary Foundation as at March 31, 2009, the statements of operations and changes in Foundation funds and cash flows 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 March 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Calgary, Canada
June 11, 2009

THE CALGARY FOUNDATION

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008
Assets (note 2)		
Current assets		
Cash and cash equivalents	$ 27,996,844	$ 26,829,094
Accrued investment income	471,196	684,184
Life insurance proceeds receivable	425,000	–
	28,893,040	27,513,278
Investments, at fair value (note 3)	244,333,608	298,295,823
Other assets (note 4)	835,158	821,735
	$ 274,061,806	$ 326,630,836
Liabilities and Funds		
Current liabilities		
Grants payable and accrued liabilities	$ 2,879,475	$ 1,627,890
Deferred flow-through grants (note 6)	14,638,540	20,135,891
	17,518,015	21,763,781
Managed funds (note 5)	11,821,173	14,232,207
Foundation funds		
Community and field of interest funds (note 6)	40,722,824	49,866,841
Donor advised and designated funds (note 6)	203,999,794	240,768,007
	244,722,618	290,634,848
Commitments (note 8)		
	$ 274,061,806	$ 326,630,836

See accompanying notes to financial statements.

Approved by the Board

Director

Alison J Love. Director

THE CALGARY FOUNDATION

Statement of Operations and Changes in Foundation Funds

Year ended March 31, 2009, with comparative figures for 2008

	Community & Field of Interest	Donor Advised & Designated	Flow-through	Total 2009	Total 2008
Revenue					
Contributions	$ 2,284,215	$ 19,507,213	$ 3,363,549	$ 25,154,977	$ 42,698,187
Interest and dividends	1,938,995	9,876,756	71,987	11,887,738	9,671,427
Flow-through funds interest	368,359	17,659	–	386,018	892,537
Managed funds fees	154,913	–	–	154,913	185,123
Realized capital gains (losses), net	782,262	1,577,344	(13,559)	2,346,047	11,335,420
Unrealized capital (losses), net	(10,996,588)	(53,852,516)	(47,877)	(64,896,981)	(27,930,055)
Total revenue	(5,467,844)	(22,873,544)	3,374,100	(24,967,288)	36,852,639
Expenditures					
Grants	(2,141,494)	(11,762,729)	(8,465,034)	(22,369,257)	(32,727,858)
Service costs, net (note 7)	(1,549,381)	(2,469,408)	(54,247)	(4,073,036)	(4,049,039)
Total expenditures	(3,690,875)	(14,232,137)	(8,519,281)	(26,442,293)	(36,776,897)
Transfers	14,702	337,468	(352,170)	–	–
Decrease (increase) in deferred flow-through grants	–	–	5,497,351	5,497,351	(3,155,711)
Change during the year	(9,144,017)	(36,768,213)	–	(45,912,230)	(3,079,969)
Balance, beginning of year	49,866,841	240,768,007	–	290,634,848	293,714,817
Balance, end of year	$ 40,722,824	$ 203,999,794	$ –	$ 244,722,618	$ 290,634,848

See accompanying notes to financial statements.

THE CALGARY FOUNDATION

Statement of Cash Flow

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided from (used in):		
Operating activities:		
Change in Foundation funds	$(45,912,230)	$ (3,079,969)
Change in Managed funds (note 5)	(2,411,034)	(8,652,389)
Change in deferred flow-through grants	(5,497,351)	3,155,711
Change in funds	(53,820,615)	(8,576,647)
Items not involving cash:		
Realized capital gain on sale of investments	(2,445,219)	(11,897,663)
Unrealized capital (gain) loss on investments	68,010,465	29,304,812
Contributions of non-cash gifts	(5,568,359)	(16,178,850)
Non-cash dividends	(30,750)	–
Grants of real estate	–	252,000
Managed fund fees (note 5)	(154,913)	(185,123)
Amortization of administration assets (note 7)	26,592	56,117
	6,017,201	(7,225,354)
Changes in non-cash working capital:		
Accrued investment income	212,988	(112,271)
Grants payable and accrued liabilities	1,251,585	1,289,106
	7,481,774	(6,048,519)
Investing activities:		
Commutation of annuity	–	103,725
Proceeds of life insurance policies	–	91,397
Purchase of capital assets	(16,191)	(42,996)
Proceeds from sale of endowment investments	240,972,835	81,433,969
Purchase of endowment investments	(247,270,668)	(82,880,964)
	(6,314,024)	(1,294,869)
Net increase (decrease) in cash and cash equivalents	1,167,750	(7,343,388)
Cash and cash equivalents, beginning of year	26,829,094	34,172,482
Cash and cash equivalents, end of year	$ 27,996,844	$ 26,829,094

See accompanying notes to financial statements.

Description of the Foundation

The Calgary Foundation (the “Foundation”) was incorporated in 1955 by The Calgary Foundation Act of the Legislative Assembly of Alberta. The Foundation is a registered charity classified as a public foundation under the Income Tax Act (Canada) and accordingly, is exempt from income taxes and can issue donation receipts for income tax purposes.

Foundation funds

Community & Field of Interest

These are endowment funds from which grants are directed to new and emerging needs of the community at the discretion of the Foundation. Field of interest fund grants are restricted to a charitable area, population or region at the time the fund is established.

Donor Advised & Designated

Donor advised funds are endowment funds from which grants are directed to charitable organizations with the advice of donors. Designated funds are endowment funds from which grants are directed to charitable organizations designated at the time the fund is established.

Flow-through

These are funds from which grants are directed to charitable organizations with the advice of donors. These funds are not maintained in perpetuity.

Managed funds

These are funds owned by other charitable organizations and pooled with Foundation assets for investment purposes.

Preservation of purchasing power

To support the policy of preserving the purchasing power of the permanent endowment funds, the Foundation limits the amount of annual grants to a percentage of the market value of each fund.

1. Significant accounting policies

(a) New accounting policies

Effective April 1, 2008, the Foundation adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862 – "Financial Instruments - Disclosures", Section 3863 – "Financial Instruments - Presentation" and Section 1535 – “Capital Disclosures”. Sections 3862 and 3863 replace the disclosure requirements of Section 3861 – "Financial Instruments - Disclosure and Presentation". Section 3862 requires additional disclosure of the risks associated with financial instruments and of how these risks are managed. Section 3863 carries forward standards for the presentation of financial instruments and non-financial derivative instruments and provides additional guidance for the classification of financial instruments. Comparative information about the nature and extent of risks arising from financial instruments is not required in the year Section 3862 is adopted. Section 1535 establishes standards for disclosing information about capital and its management. The adoption these Sections did not have an impact on the Foundation’s results of operations or financial position.

(b) Financial instruments

Effective April 1, 2007 the Foundation adopted the following new accounting standards issued by the CICA: "Financial Instruments - Recognition and Measurement", "Hedges" and "Financial Instruments - Disclosure and Presentation". These new standards have been adopted retroactively without restatement.

All financial instruments must be initially recognized at fair value on the balance sheet date as determined based on the Foundation’s assessment of available market information. The Foundation has classified each financial instrument into the following categories: held for trading financial assets and liabilities, loans or receivables, held to maturity investments, available for sale financial assets, and other financial liabilities. Subsequent measurement of the financial instruments is based on their classification.

Unrealized gains and losses on held-for-trading financial instruments are recognized in earnings. Gains and losses on available for sale financial assets are recognized in net assets and transferred to earnings when the asset is derecognized. The other categories of financial instruments are recognized at amortized cost using the effective interest rate method.

There are no financial assets on the balance sheet designated as available-for-sale or held–to-maturity. Cash and term deposits and investments are classified as held-for-trading. All other financial assets are classified as loans or receivables and are accounted for on an amortized cost basis.

1. Significant accounting policies (continued)

All financial liabilities are classified as other financial liabilities and are accounted for on an amortized cost basis.

Transaction costs are recorded in the statement of operations and changes in Foundation funds.

There were no transitional adjustments on adoption of these standards.

(c) Foreign currency translation

Investments denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect on the date of the statement of financial position. Investment income denominated in foreign currencies is translated to Canadian dollars at the exchange rate in effect when realized.

(d) Contributions

The Foundation follows the restricted fund method of accounting for endowment and flow-through contributions. Contributions are recognized when the amount can be reasonably estimated and collection is assured. Flow-through contributions, not distributed in the year of receipt, are recorded as a liability until the grants are made.

(e) Administrative assets

The Foundation capitalizes and amortizes administrative assets. The assets are amortized over their useful lives of 3 to 5 years using the straight-line method of amortization.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and temporary investments with a maturity date of three months or less.

(g) Investments

Investments are recognized in the statement of financial position at fair value as established by the closing bid price on a recognized public stock exchange and as determined based on the Foundation’s assessment of available market information. Interest, dividends, realized and unrealized gains and losses are recorded in the statement of operations when earned.

1. Significant accounting policies (continued)

(h) Controlled organizations

The Foundation is the beneficial owner of all of the shares of certain other registered charities which were created as a result of bequests to the Foundation. The Foundation has the ability to appoint the majority of these organizations' boards of directors. The accounts of these controlled organizations have not been consolidated with the accounts of the Foundation. Instead, the Foundation discloses financial information about these controlled organizations as specified in the CICA Handbook (note 9). The controlled organizations follow the deferral method of accounting for contributions.

(i) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are the valuation of investments and the recoverability and useful life of administrative assets.

(j) Comparative balances

Certain comparative balances have been reclassified to conform to the current year's financial statement presentation.

(k) Future accounting and reporting changes:

In 2008, the CICA issued a new accounting standard: Handbook Section 4470 – "Disclosure of allocated expenses by Not for Profit Organizations". Changes to Section 4400 – "Financial statement presentation by Not for Profit Organizations" were also introduced. The new standards become effective for the Foundation as of April 1, 2009. Changes to section 4400, introduce the concept of reporting revenue gross as a principal vs. net as an agent, and no longer permits the grouping of cash flows from investing and financing activities on the statement of cash flows. Section 4470 requires that the policies for allocations of general support and fundraising costs to other functions be disclosed. None of these required reporting changes are expected to have a material impact on the expenses or performance of the Foundation.

2. Assets by fund

	Community & Field of Interest	Donor Advised & Designated	Flow-through	Managed	Total
Cash and cash equivalents	$ 911,772	$ 11,917,177	$ 14,830,951	$ 336,944	$ 27,996,844
Accrued investment income	254,880	180,420	25,375	10,521	471,196
Life insurance proceeds receivable	425,000	–	–	–	425,000
Investments, at fair value	40,014,301	192,204,681	590,918	11,523,708	244,333,608
Other	77,741	752,417	5,000	–	835,158
March 31, 2009	$ 41,683,694	$ 205,054,695	$ 15,452,244	$ 11,871,173	$ 274,061,806
March 31, 2008	$ 50,795,306	$ 241,030,423	$ 20,572,900	$ 14,232,207	$ 326,630,836

3. Investments

	2009	2008
Bonds and debentures		
Investment grade	$ 79,223,209	$ 106,416,198
High yield	13,572,010	–
	92,795,219	106,416,198
Stocks		
Canada	72,614,919	109,387,840
International	78,923,470	82,491,785
	151,538,389	191,879,625
	$ 244,333,608	$ 298,295,823

4. Other assets

	2009	2008
Cash surrender value of donated life insurance policies	$ 729,171	$ 703,298
Miscellaneous	53,968	53,968
Administrative assets, net of accumulated amortization of $337,611 (2008 - $311,289)	52,019	64,469
	$ 835,158	$ 821,735

The Foundation is the beneficiary named under whole life and term life insurance policies as follows:

	2009			2008
	Premiums paid	Cash surrender value	Face value	Face value
Whole life policies	$ 114,851	$ 729,171	$ 13,595,252	$ 13,511,053
Term life policies	35,103	–	784,104	1,209,104
	$ 149,954	$ 729,171	$ 14,379,356	$ 14,720,157

The cash surrender value is recorded as an asset. As the realizable amount in excess of the cash surrender value is not certain, the Foundation will record the benefits when the proceeds are certain.

5. Managed funds

	2009	2008
Increases		
Deposits	$ 489,574	$ 1,323,119
Interest and dividends	545,326	519,568
Realized capital gains, net	99,172	562,242
Total increases	1,134,072	2,404,929
Decreases		
Withdrawals	(276,708)	(9,490,082)
Service costs		
Fees	(154,913)	(185,123)
Other	–	(7,356)
Unrealized capital losses, net	(3,113,485)	(1,374,757)
Total decreases	(3,545,106)	(11,057,318)
Change during the year	(2,411,034)	(8,652,389)
Balance, beginning of year	14,232,207	22,884,596
Balance, end of year	$ 11,821,173	$ 14,232,207

	2009	2008
Canadian Hockey Foundation Fund	$ 3,835,833	$ 4,378,862
Heritage Park Foundation Fund	3,001,999	3,667,547
CSPG Educational Trust Fund	934,080	1,174,409
Estelle J. Siebens Outreach Endowment Fund	886,212	1,141,097
Alberta Stockmen’s Memorial Association Fund	528,960	672,659
Foothills Academy Society Bursary Trust	459,262	591,454
Alberta Emerald Foundation Managed Fund	350,534	430,110
Calgary Highlanders Regimental Funds Foundation	303,453	371,394
Foothills Academy Tuition Assistance Fund	297,132	382,657
Calgary Habitat for Humanity House Repurchase Fund	273,772	354,645
Vocational and Rehabilitational Research Institute Capital Fund	265,924	325,463
Rotary Club of Calgary Managed Fund	248,580	209,042
St. Stephen’s Anglican Church Managed Fund	186,672	228,467
Girl Guides of Canada, Calgary Area Fund	174,659	213,764
Calgary Birth Control Association Fund	73,850	90,386
Other	251	251
	$ 11,821,173	$ 14,232,207

6. Foundation funds

The capital of the Foundation is comprised of funds for which the Board seeks varying degrees of donor input on grant distribution.

	2009	2008
Community	$ 20,221,955	$ 25,146,771
Field of Interest	20,500,869	24,720,070
	$ 40,722,824	$49,866,841
Donor Advised	$126,858,841	$153,981,959
Designated	77,140,953	86,786,048
	$203,999,794	$240,768,007
Deferred flow-through	14,638,540	20,135,891
	$259,361,158	$310,770,739

Deferred flow-through grants represent flow-through contributions received prior to March 31, 2009 and not granted at fiscal year end, net of investment gains and losses and service costs, if applicable. This amount is deferred and is recorded as a liability until the grants are designated and paid.

7. Service Costs

	2009	2008
Salaries and benefits	$ 1,627,212	$ 1,669,919
Investment management and custodial fees	1,229,361	1,090,993
Occupancy and insurance	381,374	338,446
Development and communications	277,892	347,853
Professional fees	199,107	193,459
Office	165,509	176,002
Membership	89,927	75,060
Computer application and website support	59,105	101,190
Amortization of administration assets	26,592	56,117
Premiums to maintain life insurance policies	149,954	105,013
Contributions to pay premiums to maintain life insurance policies	(132,997)	(105,013)
	$ 4,073,036	$ 4,049,039

The Foundation allocates service costs to Community & Field of Interest and Donor Advised & Designated funds by way of a cost allocation based on the market value of each fund. Service costs are allocated to Managed funds in accordance with the agreements. Expenses incurred for a specific fund are charged to that fund.

8. Commitments

The Foundation has entered into a five year office lease that commenced October 2007. Also in October 2007, the Foundation entered into a twenty seven month sublease for additional space to carry out a charitable project. Future annual payments under these leases are estimated to be:

2010	$ 345,000
2011	300,000
2012	300,000
2012	150,000
2013 and thereafter	–
	$ 1,095,000

9. Controlled organizations

(a) Esther Honens Calgary International Piano Competition Foundation

The Foundation is the beneficial owner of all the shares of the Esther Honens Calgary International Piano Competition Foundation ("Competition Foundation") which is responsible for a piano competition held every three years. The Competition Foundation was incorporated under the Companies Act and has been granted tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act. The Foundation's Esther Honens International Piano Competition Foundation Fund, Honens Future Growth Fund and American Friends of Canada Fund provide annual revenue to the Competition Foundation. At March 31, 2009 the market value of the three funds totalled $6.1 million (2008 - $7.8 million). During its fiscal year ended December 31, 2008, the Competition Foundation had revenues of $1,612,433 (2007 - $1,202,704), including $395,811 from the Endowment Funds (2007 - $385,840), expenses of $1,369,380 (2007 - $1,117,602), assets of $1,051,317 (2007 - $900,966), liabilities of $60,607 (2007 - $153,307) and an accumulated surplus at that date of $990,712 (2007 - $747,659).

(b) Eleanor Luxton Historical Foundation

The Foundation is the beneficial owner of all the shares of the Eleanor Luxton Historical Foundation ("Luxton Foundation"). The Luxton Foundation was incorporated under the Companies Act and has been granted tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act. The purpose of the Luxton Foundation is to preserve and promote the historical real estate and artifacts relating to the original settlements of the Banff area. The Foundation holds the Luxton Historical Foundation Fund, which provides annual revenue to support the Luxton Foundation. At March 31, 2009 the Luxton Historical Foundation Fund had a market value of $3.4 million (2008 - $4.4 million). During its fiscal year ended December 31, 2008, the Luxton Foundation had revenues of $294,191 (2007 - $292,667), including $220,000 (2007 - $245,000) from the Luxton Historical Foundation Fund, expenditures of $429,984 (2007 - $381,128), assets of $1,028,288 (2007 - $1,166,807), liabilities of $6,562 (2007 - $9,288) and unrestricted net assets at that date of $75,865 (2007 - $211,658).

10. Significantly influenced organization

Calgary Stampede Foundation

The Foundation is the beneficial owner of one of the two authorized, issued and outstanding shares of the Calgary Stampede Foundation ("Stampede Foundation"). The Stampede Foundation was incorporated under the Companies Act and has been granted tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act. The Foundation has a right to appoint a minority of the Stampede Foundation's board of directors. The Stampede Foundation's objective is to establish programs for the benefit of young residents of Southern Alberta to advance their knowledge and understanding of the history, heritage, traditions and culture of Alberta.

11. Fund-raising expenses and other

As required under Section 7(2) of the Regulations of the Charitable Fund-raising Act of Alberta, the Foundation discloses that the expenses incurred for the purposes of soliciting contributions were $23,391 (2008 - $nil). The total amount paid as remuneration to employees of the Foundation whose principal duties involve fundraising was $134,280 (2008 - $122,529).

No single disposition of contributions equalled or exceeded 10% of the gross contributions received for the twelve month period ending March 31, 2009. (2008 - No single disposition of contributions equalled or exceeded 10% of the gross contributions.)

12. Financial risk management

The Foundation has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Foundation adheres to a Statement of Investment Policy, approved by the Board of Directors, which outlines the objectives, policies and measures related to its investing activities. This policy prescribes qualitative and quantitative parameters around the investments held by the Foundation in its pooled funds in order to moderate the financial risks. The Board of Directors is accountable for the establishment and oversight of the Foundation's risk management framework.

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment resulting in a financial loss to the Foundation. The fair value of a financial instrument takes into account the credit rating of its issuer. The Foundation's investments in cash equivalents and bonds and debentures are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value. The Foundation manages the risk by ensuring compliance with the limits to the credit exposure for both the Canadian universe bond and the high yield bond portfolios and engaging a professional investment manager to actively evaluate the creditworthiness of the issuers of the high yield debt. Cash and cash equivalents are substantially all Government of Canada Treasury Bills. As at March 31, 2009, the Foundation's credit exposures in its fixed income portfolios were as follows:

Credit rating	Percentage of the market value of the fixed income portfolios	
	Investment grade bond	High yield bond
Bonds and debentures, at fair value	$79,223,209	$13,572,010
AAA	19.5%	–
AA	22.9%	–
A	52.1%	10.6%
BBB	5.5%	24.4%
BB	–	29.5%
<BB	–	35.5%

As at March 31, 2008, the Foundation was not exposed to the credit risk of the high yield bond portfolio. The management of credit risk has not changed materially from that date.

12. Financial risk management (continued)

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will not be able to meet its liabilities as they fall due. Substantially all of the Foundation's assets are investments traded in active markets that can be readily liquidated and therefore the Foundation's liquidity risk is considered minimal. In addition, the Foundation aims to retain sufficient cash positions to manage liquidity. The Foundation's exposure to and management of liquidity risk has not changed materially since March 31, 2008.

(c) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates, interest rates and equity prices, will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the return.

(i) Currency risk:

Investments in securities denominated in foreign currencies are exposed to currency risk due to fluctuations in foreign exchange rates. The Foundation is exposed to currency risk on its foreign market common stock and its foreign market bonds and debentures, as the prices denominated in foreign currencies are converted to Canadian dollars in determining fair value. The objective of the Foundation's Statement of Investment Policy is to control currency risk by limiting the allocation to non-Canadian denominated securities and maintaining a geographically diversified portfolio. At March 31, 2009, the Foundation's high yield bond manager invested 49% of the high yield portfolio in US dollar denominated or US dollar pay bonds, but was fully hedged to the Canadian dollar. Total exposure to foreign currencies as at March 31, 2009 was $75,273,723 (31.7% of investments).

Currency	Percentage of the market value of investments
Investments, at fair value	$244,333,608
Canadian dollar	68.3%
US dollar	16.1%
Euro	5.0%
British pound	3.6%
Japanese yen	1.9%
Other	5.1%

12. Financial risk management (continued)

The most significant exposure to currency risk is $38,356,680 (16.1% of investments) denominated in US dollars. A hypothetical 10 percent weakening (strengthening) of the Canadian dollar against the US dollar at March 31, 2009 would have increased (decreased) net assets and investment income for the year by $3.8 million. This analysis assumes that all other variables, in particular interest rates, remained constant.

(ii) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of interest bearing financial instruments held by the Foundation. The Foundation is invested in two pooled bond funds with differing objectives. Duration is a common measure of the sensitivity of the price of a bond to a change in interest rates. At March 31, 2009, the bond portfolios had an average duration as follows:

	Investment grade bond	High yield bond
Bonds and debentures, at fair value	$79,223,209	$13,572,010
Duration (years)	6.0	3.6
Assumed increase in interest rates	+1%	+1%
Approximate resulting decrease in value	$(4.7 million)	$(0.5 million)
Approximate resulting percentage decrease	(6.0%)	(3.6%)
Assumed decrease in interest rates	–1%	–1%
Approximate resulting increase in value	$4.7 million	$0.5 million
Approximate resulting percentage increase	6.0%	3.6%

(iii) Equity price risk:

Equity price risk is the risk that the value of a financial instrument will fluctuate due to changes in equity markets. The Foundation is exposed to equity price risk on its equity portfolio. The Statement of Investment Policy applies to all investments held in the Foundation's pooled funds and it includes restrictions regarding the minimum and maximum amount of equities, bonds, and cash and cash equivalents. The diversification across various asset classes is expected to decrease the volatility of portfolio returns due to the lack of correlation between the returns of the various asset classes.

	Canada	International
Stocks, at fair value	$72,614,919	$78,923,470
Assumed increase in market prices	+8%	+8%
Approximate resulting increase in value	$5.8 million	$6.3 million
Assumed decrease in market prices	–8%	–8%
Approximate resulting decrease in value	$(5.8 million)	$(6.3 million)

13. Capital management

The Foundation views its capital as the Foundation funds' balances. The Foundation is not subject to externally imposed capital requirements and invests in accordance with The Calgary Foundation Act (the Act). The Act generally requires that, in the absence of any direction by the donor and subject to the disbursement quota requirements of the Income Tax Act (Canada) and the regulations thereunder, contributions are to be invested and devoted in perpetuity for charitable purposes.