

**Community Foundation of the North  
Okanagan  
Financial Statements  
For the Year Ended September 30, 2019**

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Financial Statements  
For the Year Ended September 30, 2019**

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## Independent Auditor's Report

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To the board of directors of Community Foundation of the North Okanagan

### Opinion

We have audited the financial statements of Community Foundation of the North Okanagan (the Foundation), which comprise the statement of financial position as at September 30, 2019, the statements of operations and changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at September 30, 2019, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.



### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Report on Other Legal and Regulatory Requirements**

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

*BDO Canada LLP*

Chartered Professional Accountants

Vernon, British Columbia  
November 26, 2019

## Community Foundation of the North Okanagan Statement of Financial Position

September 30	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 34,720	\$ 52,850
Accounts receivable	2,293	1,727
	37,013	54,577
Restricted cash and investments (Note 2)	1,120,808	1,826,439
Long-term investments (Note 3)	16,399,821	16,857,272
Equipment (Note 4)	1,851	2,229
	\$ 17,559,493	\$ 18,740,517
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 2,640	\$ 4,363
Deferred contributions for expenses of future periods (Note 5)	1,120,808	1,826,439
	1,123,448	1,830,802
<b>Net Assets</b>		
Funds Under Administration (Note 7)		
Contributed principal	12,253,959	11,932,073
Retained returns from investments	3,237,385	3,990,024
	15,491,344	15,922,097
Funds available for distribution (Note 8)	675,630	682,409
Investment in equipment	1,851	2,229
Administration account (Note 9)	267,220	302,980
	16,436,045	16,909,715
	\$ 17,559,493	\$ 18,740,517

The accompanying notes are an integral part of these financial statements.

**Community Foundation of the North Okanagan  
Statement of Changes in Net Assets**

For the year ended September 30	Contributed Principal	Retained Returns	Funds Available for Distribution	Investment in Equipment	Administration	2019 Total	2018 Total
Balance, beginning of the year	\$ 11,932,073	\$ 3,990,024	\$ 682,409	\$ 2,229	\$ 302,980	\$ 16,909,715	\$ 16,109,897
Excess (deficiency) of revenues over expenses	-	10,689	(569,231)	(926)	(236,088)	(795,556)	27,342
Endowment contributions	321,886	-	-	-	-	321,886	772,476
Net transfers from retained returns	-	(763,328)	562,452	-	200,876	-	-
Equipment additions	-	-	-	548	(548)	-	-
Balance, end of the year	\$ 12,253,959	\$ 3,237,385	\$ 675,630	\$ 1,851	\$ 267,220	\$ 16,436,045	\$ 16,909,715

The accompanying notes are an integral part of these financial statements.

## Community Foundation of the North Okanagan Statement of Operations

For the year ended September 30	2019	2018
<b>Revenue</b>		
Investment income (Note 3)	\$ 679,107	\$ 1,145,206
Okanagan Rail Trail contributions recognized	915,664	1,000,779
Flow through grants	52,485	106,327
Donations from Vancouver Foundation Endowment Fund (Note 11)	7,117	6,946
Donations for life insurance premiums	3,435	3,435
Donations for Vital Signs project	-	723
Donations to administration	1,654	459
Fees on flow through donations	710	7,138
	<b>1,660,172</b>	<b>2,271,013</b>
<b>Expenses</b>		
Administration	25,907	8,994
Advisor fees	94,165	79,280
Amortization of capital assets	926	930
Bank charges	125	88
Fund development	2,594	5,994
Grants and distributions to charities (Schedule 1)	678,044	620,510
Losses on managed portfolio investments (Note 3)	574,253	365,090
Life insurance premiums	3,435	3,435
Office	10,483	17,235
Okanagan Rail Trail project distributions (Schedule 1)	915,664	1,000,779
Professional fees	10,809	11,973
Publicity and promotion	34,876	36,117
Wages and benefits	104,447	93,246
	<b>2,455,728</b>	<b>2,243,671</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (795,556)</b>	<b>\$ 27,342</b>

The accompanying notes are an integral part of these financial statements.

## Community Foundation of the North Okanagan Statement of Cash Flows

For the year ended September 30	2019	2018
<b>Cash flows from operating activities</b>		
Cash receipts from investments	\$ 1,744,400	\$ 1,145,206
Cash receipts for grants and donations	197,843	147,320
Cash paid to suppliers and employees	(227,536)	(393,349)
Cash paid to charities	(678,044)	(620,510)
Cash receipts for the Okanagan Rail Trail project	77,025	2,166,498
Cash paid to the Okanagan Rail Trail project	(915,664)	(1,000,779)
	198,024	1,444,386
<b>Cash flows from investing activities</b>		
Purchase of investments, net	(531,055)	(2,783,510)
Purchase of equipment	(548)	-
	(531,603)	(2,783,510)
<b>Cash flows from financing activities</b>		
Endowment contributions	321,886	772,476
<b>Net decrease in cash</b>	(11,693)	(566,648)
<b>Cash, beginning of the year</b>	74,943	641,591
<b>Cash, end of the year</b>	\$ 63,250	\$ 74,943
<b>Represented by:</b>		
Cash	\$ 34,720	\$ 52,850
Restricted cash	28,530	22,093
	\$ 63,250	\$ 74,943

The accompanying notes are an integral part of these financial statements.

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# Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2019

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## 1. Significant Accounting Policies

<b>Nature of Organization</b>	<p>Community Foundation of the North Okanagan (the Foundation), is a non-profit organization registered under the Societies Act of the Province of British Columbia that administers funds received through bequests or endowments and makes distributions of income to various charities in the North Okanagan area.</p> <p>The Foundation is a registered charity within the definition of the Income Tax Act and therefore, as long as it complies with the rules and regulations of the Income Tax Act, is exempt from income taxes and may issue receipts to donors.</p>
<b>Basis of Accounting</b>	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.</p>
<b>Fund Accounting</b>	<p>Revenues and expenses related to program delivery and administrative activities are reported in the Administration Fund.</p> <p>Endowment contributions are reported in the Contributed Principal Fund.</p> <p>Investment income and gains from managed portfolio earned, as well as grants and distributions to charities are reported in the Retained Returns From Investments and Funds Available For Distribution Funds. These funds are internally restricted for future distribution at the discretion of the Foundation.</p>
<b>Use of Estimates</b>	<p>The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations require management to make estimates and assumptions that affect the reported amounts in the assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>

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# Community Foundation of the North Okanagan

## Notes to Financial Statements

September 30, 2019

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### 1. Significant Accounting Policies (continued)

**Financial Instruments** Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations, other than financial instruments related to endowment funds. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations, other than financial instruments related to endowment funds. Changes in fair value of financial instruments related to the endowment fund are recorded directly in net assets. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

**Revenue Recognition** The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Investment income and gains from managed portfolio is recognized as revenue in the year in which they are earned.

**Contributions Receivable** Contributions receivable are recognized as an asset when the amounts to be received can be reasonably estimated and ultimate collection is reasonably assured.

**Equipment** Equipment is recorded at cost. Contributed equipment is recorded at fair value at the date of contribution. Amortization is provided over the estimated useful life of the asset as follows:

	<b>Method</b>
Furniture and equipment	20% diminishing balance basis
Computer equipment	3 year straight line basis

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## Community Foundation of the North Okanagan Notes to Financial Statements

**September 30, 2019**

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### 1. Significant Accounting Policies (continued)

<b>Contributed Materials</b>	Contributed materials which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.
<b>Contributed Services</b>	Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

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## Community Foundation of the North Okanagan Notes to Financial Statements

**September 30, 2019**

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### 2. Restricted Cash and Investments

Restricted cash and investments consists of cash and invested securities held on behalf of the Regional District of North Okanagan, in connection with the Okanagan Rail Trail project.

	2019	2018
Cash	\$ 28,530	\$ 22,093
Investments (cost - \$1,093,289 (2018 - \$1,804,346))	1,092,278	1,804,346
	<b>\$ 1,120,808</b>	<b>\$ 1,826,439</b>

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### 3. Long-term Investments

Long-term investments consist of the following:

	2019	2018
At amortized cost:		
Bonds (cost - \$6,013,907 (2018 - \$5,842,877))	\$ 6,012,832	\$ 5,770,044
Equities (cost - \$10,296,431 (2018 - \$9,112,943))	10,135,746	10,572,668
Guaranteed investment certificates, at market value, earnings interest at rates of 1.80% - 2.03% per annum, maturing February 2020 (cost - \$248,187 (2018 - \$494,850))	251,243	514,560
	<b>\$ 16,399,821</b>	<b>\$ 16,857,272</b>

Investment income and gains or losses from managed portfolio consists of the following:

Investment income	\$ 679,107	\$ 1,145,206
Losses on managed portfolio investments	(574,253)	(365,090)
	<b>\$ 104,854</b>	<b>\$ 780,116</b>

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## Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2019

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#### 4. Equipment

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 4,429	\$ 3,808	\$ 3,880	\$ 3,721
Computer equipment	6,780	5,550	6,780	4,710
	11,209	9,358	10,660	8,431
		\$ 1,851		\$ 2,229

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#### 5. Deferred Contributions for Expenses of Future Periods

The following amount is restricted contributions that have been deferred for expenses relating to the Okanagan Rail Trail and Vital Signs projects, which are expected to be incurred in future periods:

	2019	2018
Beginning balance	\$ 1,826,439	\$ 660,720
Add:		
Contributions received	191,417	2,159,660
Interest earned	18,616	6,838
Less:		
Contributions recognized as revenue	(915,664)	(1,000,779)
Ending balance	\$ 1,120,808	\$ 1,826,439

The allocation of deferred contributions is as follows:

	2019	2018
Okanagan Rail Trail	\$ 987,800	\$ 1,826,439
Vital Signs	7,250	-
Term Endowments	104,478	-
Flow Through Grants	21,280	-
	\$ 1,120,808	\$ 1,826,439

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## Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2019

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### 6. Life Insurance Policies

The Foundation has been given life insurance policies under which it is the owner and beneficiary. The life insurance policies with cash surrender values are recognized as assets on the statement of financial position at their cash surrender value. The total coverage provided under one policy owned by the Foundation is \$500,000 (2018 - one policy, \$500,000).

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### 7. Funds Under Administration

Funds under administration are comprised of contributed principal and retained returns from investments. Contributed principal are funds contributed by donors to be held as a permanent endowment in separate funds. Retained returns from investments are the cumulative returns retained after transferring out funds available for distribution and the administration fee.

The proportion of the return on funds under administration attributable by each donor of the Foundation is calculated monthly on a pro-rata basis. During 2019, the Foundation received contributed principal of \$321,886 (2018 - \$772,476) not including the change to the cash surrender value of life insurance policies.

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### 8. Funds Available For Distribution

Funds available for distribution are funds that have been approved for distribution from retained returns or flow through grants by the Foundation, but have not yet been distributed.

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### 9. Administration Account

An administration fee of 1.25% of the investment portfolio, calculated monthly at 1/12th of 1.25% of the portfolio balance at the end of each month, is used to partially fund operating costs. This fee, together with the allocations of income from an endowment fund and any donations and fundraising are recorded in the Administration Account with operating expenses being paid therefrom.

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## Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2019

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### 10. President's Fund

	2019	2018
Balance, beginning of year	\$ 11,453	\$ 2,513
Contributions	1,353	8,940
Balance, end of year	\$ 12,806	\$ 11,453

These funds are for distributions determined by the discretion of the Foundation and are reported in the Funds Available for Distribution.

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### 11. Donations From The Vancouver Foundation Endowment Fund

In a previous year the Foundation donated \$50,000 to set up an endowment fund with the Vancouver Foundation which was matched by the Vancouver Foundation in the amount of \$60,000 for a total contribution of \$110,000. The Foundation receives an annual distribution based on a percentage of the original contribution and any cumulative gains since inception of the endowment fund. The distributions received are used to offset administration costs related to operation of the Foundation.

The Foundation does not have rights to the Vancouver Foundation Endowment Fund and therefore it is not reported as an asset on the Foundation's financial statements.

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## Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2019

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### 12. Financial Instrument Risk

#### Market Risk

The Foundation is exposed to fluctuations in equity markets on its investments which are invested in bond mutual funds and equity mutual funds. A 1% increase or decrease in market prices would result in a \$165,043 decrease or increase in excess revenues over expenses respectively.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to changes in interest rates relating to its interest bearing investments. The Foundation's primary objective is to ensure the security of principle amounts invested and provide a high degree of liquidity, while achieving a satisfactory return.

The Foundation mitigates interest rate risk on investments by diversifying the fixed-income investments that are held at any given time.

There have been no changes to the organization's financial instrument risk exposure from the prior year.

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## Community Foundation of the North Okanagan Schedule 1 - Funds Distributed

For the year ended September 30

2019

Abbeyfield House of Armstrong Spallumcheen Society	\$	337
Abbeyfield Houses of Vernon Society		1,750
Allan Brooks Nature Centre Society		14,387
Archway Society for Domestic Peace		18,644
Armstrong Spallumcheen Museum & Arts Society		17,136
Baptist Missionary Society of Latin America		5,645
BC Lions Society for Children with Disabilities		4,388
BC SPCA Vernon & District Branch		5,107
BC Wheelchair Basketball Society		10,000
Bill Miner Society for Cultural Advancement		259
Brain Trust Canada Association		5,000
Bridge Educational Society		20,000
Caetanu Cultural Centre Society		13,939
Canadian Cancer Society - BC Southern Interior		1,376
Canadian Mental Health Association Vernon & District		24,391
Community Dental Access Centre Society		259
Eagle Bay Camp Society		222
Enderby & District Arts Council		1,300
Enderby & District Community Resource Centre		952
Family Resource Centre Society		5,000
First Nations Friendship Center Society		1,100
Food Action Society of the North Okanagan		259
Greater Vernon Museum & Archives Society		30,818
Habitat for Humanity Okanagan Society		10,000
HOPE Outreach		1,500
Hullcar & Deep Creek Hall Society		2,400
Independent Living Vernon		6,000
John Rudy Health Resource Centre Association		3,000
Junior Achievement BC		4,500
Kindale Development Association		10,339
Kingfisher Interpretive Centre Society		3,500
Learning Disabilities Association of BC		3,042
Literary Society of the North Okanagan		2,259
Lumby Food Bank Society		3,039
Maven Lane (NOCCS)		25,000
Medical Ministry International		1,983
North Okanagan Hospice Society		22,650
North Okanagan Therapeutic Riding Association		923
North Okanagan Youth & Family Services Society		5,000
North Westside Road Firefighters Society		511
Okanagan Boys & Girls Clubs		8,734
Okanagan College		18,961
<b>Subtotal</b>	<b>\$</b>	<b>315,610</b>

## Community Foundation of the North Okanagan Schedule 1 - Funds Distributed

For the year ended September 30

2019

Balance, carried forward	\$	315,610
Okanagan Humane Society		10,000
Okanagan Quality Life Society		2,533
Okanagan Regional Library		2,297
Okanagan Symphony Orchestra		7,000
O'Keefe Ranch & Interior Heritage Society		5,044
People Place		3,547
Potters Without Borders Association		259
Salvation Army Vernon Community Church		16,528
School District #22		38,808
School District #58		2,439
School District #83		4,300
Schubert Centre Society		15,000
Simon Fraser University Foundation		154
St. John Ambulance Society		4,958
St. Vincent's Foster Parent Association		1,841
Sustainable Environment Network Society		2,336
TRINE University		1,298
Trinity United Church - Special Gifts Committee		2,089
Turning Points Collaborative Society		994
United Way of the North Okanagan Columbia Shuswap		5,293
United Way Southern Interior BC		20,000
University of Alabama in Huntsville		1,300
University of Alberta		2,380
University of British Columbia Library		300
University of Victoria		826
Vernon & District Association for Community Living		10,000
Vernon & District Performing Arts Centre Society		30,280
Vernon Community Music School		16,780
Vernon Jubilee Hospital Foundation		124,080
Vernon Pensioners Accommodation Society		163
Vernon Public Art Gallery Society		17,143
Vernon Restholm Association		4,236
Vernon Science & Discovery Society		259
Vernon Theatrical Arts Centre Society		341
Vernon Upper Room Mission Society		1,983
War Amps of Canada		5,645
		<b>\$ 678,044</b>
<b>Okanagan Rail Trail Distributions</b>		
City of Kelowna	\$	3,628
District of Lake Country		888,156
Regional District of North Okanagan		23,880
		<b>\$ 915,664</b>