

**Community Foundation of the North
Okanagan
Financial Statements
For the Year Ended September 30, 2020**

**Community Foundation of the North Okanagan
Financial Statements
For the Year Ended September 30, 2020**

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Independent Auditor's Report

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, 2020, the statements of operations, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at September 30, 2020, 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.

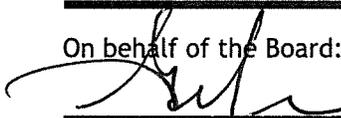
Chartered Professional Accountants, Licensed Public Accountants

Vernon, British Columbia
November 24, 2020

Community Foundation of the North Okanagan Statement of Financial Position

September 30	2020	2019
Assets		
Current		
Cash	\$ 244,316	\$ 34,720
Accounts receivable	2,987	2,293
	247,303	37,013
Restricted cash and investments (Note 2)	1,477,210	1,120,808
Long-term investments (Note 3)	16,637,076	16,399,821
Equipment (Note 4)	2,266	1,851
	\$ 18,363,855	\$ 17,559,493
 Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 3,109	\$ 2,640
Short term debt (Note 5)	40,000	-
	43,109	2,640
Deferred contributions for expenses of future periods (Note 6)	1,477,210	1,120,808
	1,520,319	1,123,448
 Net Assets		
Funds Under Administration (Note 8)		
Contributed principal	12,408,457	12,253,959
Retained returns from investments	3,368,959	3,237,385
	15,777,416	15,491,344
Funds available for distribution (Note 9)	758,193	675,630
Investment in equipment	2,266	1,851
Administration account (Note 10)	305,661	267,220
	16,843,536	16,436,045
	\$ 18,363,855	\$ 17,559,493

On behalf of the Board:

 Director

**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	2020 Total	2019 Total
Balance, beginning of the year	\$ 12,253,959	\$ 3,237,385	\$ 675,630	\$ 1,851	\$ 267,220	\$ 16,436,045	\$ 16,909,715
Excess (deficiency) of revenues over expenses	-	932,391	(508,040)	(845)	(170,513)	252,993	(795,556)
Endowment contributions	154,498	-	-	-	-	154,498	321,886
Net transfers from retained returns	-	(798,814)	588,600	-	210,214	-	-
Net transfers to funds available for distribution	-	(2,003)	2,003	-	-	-	-
Equipment additions	-	-	-	1,260	(1,260)	-	-
Balance, end of the year	\$ 12,408,457	\$ 3,368,959	\$ 758,193	\$ 2,266	\$ 305,661	\$ 16,843,536	\$ 16,436,045

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	2020	2019
Revenue		
Investment income (Note 3)	\$ 698,373	\$ 679,107
Okanagan Rail Trail contributions recognized	424,284	915,664
Gains on managed portfolio investments (Note 3)	307,991	-
Flow through grants	562,892	52,485
Donations from Vancouver Foundation Endowment Fund (Note 12)	6,969	7,117
Donations for life insurance premiums	3,435	3,435
Donations for Vital Signs project	7,250	-
Donations to administration	41,847	1,654
Government subsidy	2,275	-
Fees on flow through donations	1,875	710
	2,057,191	1,660,172
Expenses		
Administration	12,164	25,907
Advisor fees	73,973	94,165
Amortization of capital assets	845	926
Bank charges	238	125
Fund development	29,662	2,594
Grants and distributions to charities (Schedule 1)	1,070,932	678,044
Losses on managed portfolio investments (Note 3)	-	574,253
Life insurance premiums	3,435	3,435
Office	12,272	10,483
Okanagan Rail Trail project distributions (Schedule 1)	424,284	915,664
Professional fees	14,705	10,809
Publicity and promotion	23,515	34,876
Wages and benefits	138,173	104,447
	1,804,198	2,455,728
Excess (deficiency) of revenues over expenses	\$ 252,993	\$ (795,556)

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	2020	2019
Cash flows from operating activities		
Cash receipts from investments	\$ 698,373	\$ 1,744,400
Cash receipts for grants and donations	1,249,776	197,843
Cash paid to suppliers and employees	(307,666)	(227,537)
Cash paid to charities	(1,070,932)	(678,043)
Cash receipts for the Okanagan Rail Trail project	156,760	77,025
Cash paid to the Okanagan Rail Trail project	(424,284)	(915,664)
	<u>302,027</u>	<u>198,024</u>
Cash flows from investing activities		
Purchase of investments, net	(311,587)	(531,055)
Purchase of equipment	(1,261)	(548)
	<u>(312,848)</u>	<u>(531,603)</u>
Cash flows from financing activities		
Proceeds from short term debt	40,000	-
Endowment contributions	154,498	321,886
	<u>194,498</u>	<u>321,886</u>
Net increase (decrease) in cash	183,677	(11,693)
Cash, beginning of the year	<u>63,250</u>	<u>74,943</u>
Cash, end of the year	\$ 246,927	\$ 63,250
Represented by:		
Cash	\$ 244,316	\$ 34,720
Restricted cash	2,611	28,530
	<u>\$ 246,927</u>	<u>\$ 63,250</u>

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

Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2020

1. Significant Accounting Policies

Nature of Organization	<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>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.</p>
Fund Accounting	<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>
Use of Estimates	<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>

Community Foundation of the North Okanagan

Notes to Financial Statements

September 30, 2020

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:

	Method
Furniture and equipment	20% diminishing balance basis
Computer equipment	3 year straight line basis

Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2020

1. Significant Accounting Policies (continued)

Contributed Materials 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.

Contributed Services Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2020

2. Restricted Cash and Investments

Restricted cash and investments consists of cash and invested securities held in connection with the Okanagan Rail Trail project as well as funds for flow through grant and term endowments to be paid out in a future year.

	2020	2019
Cash	\$ 2,611	\$ 28,530
Investments (cost - \$1,474,407 (2019 - \$1,093,289))	1,474,599	1,092,278
	\$ 1,477,210	\$ 1,120,808

3. Long-term Investments

Long-term investments consist of the following:

	2020	2019
At amortized cost:		
Bonds (cost - \$6,132,413 (2019 - \$6,013,907))	\$ 6,382,205	\$ 6,012,832
Equities (cost - \$10,379,347 (2019 - \$10,296,431))	10,254,791	10,135,746
Guaranteed investment certificates/Cash, at market value, earnings interest at rates of 1.80% - 2.03% per annum, matured February 2020 (Cost 2019 - \$248,187)	80	251,243
	\$ 16,637,076	\$ 16,399,821

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

Investment income	\$ 698,373	\$ 679,107
Gains (losses) on managed portfolio investments	307,991	(574,253)
	\$ 1,006,364	\$ 104,854

Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2020

4. Equipment

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 4,429	\$ 3,918	\$ 4,429	\$ 3,808
Computer equipment	8,040	6,285	6,780	5,550
	12,469	10,203	11,209	9,358
		\$ 2,266		\$ 1,851

5. Short Term Debt

The Canada Emergency Business Account (“CEBA”) Loan is unsecured and interest free. The loan was provided by the Government of Canada to aid with cash flow needs as a result of the pandemic. If this loan is repaid in full by December 31, 2022, 25% of the amount loaned under CEBA is forgiven. If the loan is not repaid in full by December 31, 2022, the loan becomes interest bearing and is repayable in monthly payments over a period of five years.

Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2020

6. 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, Friends of the Okanagan Rail Trail, Vital Signs, Term Endowments, and Restricted charity donations, which are expected to be incurred in future periods:

	2020	2019
Beginning balance	\$ 1,120,808	\$ 1,826,439
Add:		
Contributions received	772,141	191,417
Interest earned	8,545	18,616
Less:		
Contributions recognized as revenue	(424,284)	(915,664)
Ending balance	\$ 1,477,210	\$ 1,120,808

The allocation of deferred contributions is as follows:

	2020	2019
Okanagan Rail Trail	\$ 720,276	\$ 987,800
Friends of the Okanagan Rail Trail	19,049	-
Vital Signs	-	7,250
Term Endowments	380,396	104,478
Flow Through Grants	357,489	21,280
	\$ 1,477,210	\$ 1,120,808

7. 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 (2019 - one policy, \$500,000).

Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2020

8. 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 2020, the Foundation received contributed principal of \$154,498 (2019 - \$321,886) not including the change to the cash surrender value of life insurance policies.

9. 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.

10. 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.

11. President's Fund

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 12,806	\$ 11,453
Contributions	1,316	1,353
Distributions	<u>(14,122)</u>	-
Balance, end of year	<u>\$ -</u>	<u>\$ 12,806</u>

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

Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2020

12. 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.

13. 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 \$173,750 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.

Community Foundation of the North Okanagan Schedule 1 - Funds Distributed

For the year ended September 30

2020

Abbeyfield House of Armstrong Spallumcheen Society	\$	362
Abbeyfield Houses of Vernon Society		3,500
Abbotsford Community Foundation		7,219
All Saints Anglican Church		3,100
Allan Brooks Nature Centre Society		54,738
Archway Society for Domestic Peace		21,129
Armstrong Spallumcheen Museum & Arts Society		17,045
Baptist Missionary Society of Latin America		5,450
BC Lions Society for Children with Disabilities		4,237
BC SPCA Vernon & District Branch		6,550
Bill Miner Society for Cultural Advancement		250
Brain Trust Canada Association		56,500
Caetanu Cultural Centre Society		16,448
Calgary Foundation		1,225
Canadian Cancer Society		1,328
Canadian Mental Health Association Vernon & District		27,929
Cherryville Community Food Bank		6,500
Clubhouse Childcare Center		14,803
Community Dental Access Centre Society		12,750
Community Foundation of Southeastern Alberta		8,806
Community Foundation of the Kootenay Rockies		6,393
Community Foundation of Whistler		18,661
Cops For Kids Charitable Foundation		5,000
District of Lake Country		12,668
Eagle Bay Camp Society		214
East Hill Community Reformed Church		1,500
Elevation Outdoor Experiential Programs Association		10,000
Family Resource Centre Society		2,500
First Nations Friendship Center Society		5,553
Food Action Society of the North Okanagan		250
Good Samaritan Society		4,000
Grand Bend Community Foundation		34,563
Greater Vernon Museum & Archives Society		29,938
Habitat for Humanity Okanagan Society		2,500
HOPE Outreach		4,700
Independent Living Vernon		6,500
John Rudy Health Resource Centre Association		2,000
Kindale Development Association		15,227
Learning Disabilities Association of BC		1,060
Let's Talk Science		206
Literary Society of the North Okanagan		250
Medical Ministry International		1,906
Muskoka Community Foundation		425
Nature Trust of British Columbia		10,000
Nexus BC Community Resource Centre Society		15,000
North Okanagan Artists Alternative		4,000
North Okanagan Hospice Society		21,870
North Okanagan Therapeutic Riding Association		2,511
North Westside Road Firefighters Society		493
Okanagan Boys & Girls Clubs		7,467
		7,467
Subtotal	\$	497,224

Community Foundation of the North Okanagan Schedule 1 - Funds Distributed

For the year ended September 30 **2020**

Balance, carried forward	\$ 497,224
Okanagan College Foundation	68,452
Okanagan Regional Library	187
Okanagan Symphony Society	11,758
O'Keefe Ranch & Interior Heritage Society	45
OneSky Community Resources Society	10,000
Ottawa Community Foundation	1,343
People Place	26,913
Port Coquitlam Community Foundation	12,668
Port Moody Foundation	12,668
Potters Without Borders Association	250
Prince George Community Foundation	9,954
Salvation Army Vernon Community Church	28,614
Sarnia Community Foundation	10,326
School District #22	42,910
School District #58	2,354
School District #83	4,300
Schubert Centre Society	5,500
Shuswap Hut and Trail Alliance Society	900
Silver Star Adaptive Snow Sports	4,071
Simon Fraser University	149
Spinal Cord Injury BC	2,000
St. John Ambulance Society	4,786
Stratford Perth Community Foundation	20,460
SurreyCares Community Foundation	4,486
Sustainable Environment Network Society	2,255
Tetra Society Of North America	4,000
The Compassionate Friends - Vernon	500
The Institute of the Franciscan Clarist Sisters	1,778
The Land Conservancy of BC (TLC BC)	1,620
Thunder Bay Community Foundation	14,510
Tides Canada Foundation	5,000
Trinity United Church - Special Gifts Committee	2,010
Trinity Western University	1,400
Turning Points Collaborative Society	960
United Way Southern Interior BC	14,179
University of Alberta	2,287
University of British Columbia	1,000
University of British Columbia Library	300
University of Victoria	797
Vernon & District Community Land Trust Society	10,000
Vernon & District Performing Arts Centre Society	29,234
Vernon Christian School Society	5,000
Vernon Community Arts Centre	1,620
Vernon Community Music School	18,232
Vernon Jubilee Hospital Foundation	118,054
Vernon Native Housing Society	10,000
Vernon Pensioners Accommodation Society	158
Vernon Public Art Gallery Society	7,449
Vernon Restholm Association	228
Vernon Rowing & Dragon Boat Club	4,000
Subtotal	\$ 1,038,889

Community Foundation of the North Okanagan Schedule 1 - Funds Distributed

For the year ended September 30 **2020**

Balance, carried forward	\$ 1,038,889
Vernon Science & Discovery Society	250
Vernon Theatrical Arts Centre Society	329
Vernon Upper Room Mission Society	15,406
Victoria Foundation	8,343
War Amps of Canada	5,450
Whitevalley Community Resource Centre	2,265

\$ 1,070,932

Okanagan Rail Trail Distributions

City of Kelowna	\$ 3,455
District of Lake Country	97,858
Regional District of North Okanagan	322,971

\$ 424,284