

**Community Foundation of the North
Okanagan
Financial Statements
For the Year Ended September 30, 2023**

**Community Foundation of the North Okanagan
Financial Statements
For the Year Ended September 30, 2023**

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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, 2023, the statements of operations and changes in net assets and cash flows 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, 2023, 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

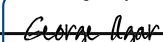
Vernon, British Columbia
November 21, 2023

Community Foundation of the North Okanagan Statement of Financial Position

September 30	2023	2022
Assets		
Current		
Cash	\$ 80,657	\$ 628,061
Accounts receivable	24,761	1,867
	105,418	629,928
Restricted cash and investments (Note 2)	1,354,883	1,270,035
Long-term investments (Note 3)	18,075,776	16,266,961
Impact funds (Note 4)	40,000	40,000
Equipment (Note 5)	3,891	5,639
	\$19,579,968	\$ 18,212,563
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 30,798	\$ 15,430
Short term debt (Note 6)	40,000	40,000
	70,798	55,430
Deferred contributions for expenses of future periods (Note 7)	1,354,883	1,270,035
	1,425,681	1,325,465
Net Assets		
Funds Under Administration (Note 9)		
Contributed principal	14,318,868	14,133,362
Retained returns from investments	2,730,571	1,865,867
	17,049,439	15,999,229
Funds available for distribution (Note 10)	1,158,156	856,613
Investment in equipment	3,891	5,639
Administration account (Note 11)	(57,199)	25,617
	18,154,287	16,887,098
	\$19,579,968	\$ 18,212,563

On behalf of the Board:

DocuSigned by:

 F4D648B388AD40B... Director

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 AD5DE77BAE474CB... Director

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	2023 Total	2022 Total
Balance, beginning of the year	\$14,133,362	\$ 1,865,867	\$ 856,613	\$ 5,639	\$ 25,617	\$16,887,098	\$ 19,049,251
Excess (deficiency) of revenues over expenses	-	1,966,308	(585,055)	(1,748)	(297,822)	1,081,683	(3,317,701)
Endowment contributions	185,506	-	-	-	-	185,506	1,155,548
Net transfers from retained returns	-	(1,101,604)	886,598	-	215,006	-	-
Balance, end of the year	\$14,318,868	\$ 2,730,571	\$ 1,158,156	\$ 3,891	\$ (57,199)	\$18,154,287	\$ 16,887,098

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	2023	2022
Revenue		
Investment income (Note 3)	\$ 916,939	\$ 1,729,430
Okanagan Rail Trail contributions recognized	5,062	87,803
Gains on managed portfolio investments (Note 3)	1,139,792	-
Flow through contributions recognized	617,946	1,564,942
Donations from Vancouver Foundation Endowment Fund (Note 13)	8,622	7,537
Donations for life insurance premiums	3,435	3,435
Donations to administration	129,575	18,640
Fees on flow through donations	501	4,053
	<u>2,821,872</u>	<u>3,415,840</u>
Expenses		
Administration	37,242	20,102
Advisor fees	92,355	95,507
Amortization of capital assets	1,748	1,791
Bank charges	268	507
Fund development	46,988	78,237
Grants and distributions to charities (Schedule 1)	1,201,069	2,085,601
Losses on managed portfolio investments (Note 3)	-	4,044,091
Life insurance premiums	3,435	3,435
Office	46,275	51,764
Okanagan Rail Trail project distributions (Schedule 1)	5,062	87,803
Professional fees	16,071	14,342
Publicity and promotion	46,075	39,047
Wages and benefits	243,601	211,314
	<u>1,740,189</u>	<u>6,733,541</u>
Excess (deficiency) of revenues over expenses	\$ 1,081,683	\$ (3,317,701)

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	2023	2022
Cash flows from operating activities		
Cash receipts from investments	\$ 916,939	\$ 1,729,430
Cash receipts for grants and donations	799,135	1,265,036
Cash paid to suppliers and employees	(516,940)	(500,823)
Cash paid to charities	(1,201,069)	(2,049,787)
Cash receipts for the Okanagan Rail Trail project	27,960	25,381
Cash paid to the Okanagan Rail Trail project	(5,062)	(87,803)
	20,963	381,434
Cash flows from investing activities		
Purchase of investments, net	(756,481)	(995,756)
Purchase of equipment	-	(1,650)
	(756,481)	(997,406)
Cash flows from financing activities		
Endowment contributions	185,506	1,155,547
	185,506	1,155,547
Net (decrease) increase in cash	(550,012)	539,575
Cash, beginning of the year	643,276	103,701
Cash, end of the year	\$ 93,264	\$ 643,276
Represented by:		
Cash	\$ 80,657	\$ 628,061
Restricted cash	12,607	15,215
	\$ 93,264	\$ 643,276

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

Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2023

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, 2023

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 for restricted funds are recognized in the year in which the related expenses are incurred.

Investment income and gains from managed portfolio for endowments 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, 2023

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, 2023

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.

	2023	2022
Cash	\$ 12,607	\$ 15,215
Investments at fair value (cost - \$1,383,097 (2022 - \$1,329,171))	1,342,276	1,254,820
	\$ 1,354,883	\$ 1,270,035

3. Long-term Investments

Long-term investments consist of the following:

	2023	2022
At fair value:		
Bonds (cost - \$7,750,317 (2022 - \$7,286,770))	\$ 6,414,734	\$ 6,204,598
Equities (cost - \$11,683,248 (2022 - \$11,488,352))	11,659,526	10,053,991
Cash and cash equivalents	1,516	8,372
	\$18,075,776	\$ 16,266,961

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

	2023	2022
Investment income	\$ 916,939	\$ 1,729,430
Gains (losses) on managed portfolio investments	1,139,792	(4,044,091)
	\$ 2,056,731	\$ (2,314,661)

4. Impact Funds

The Foundation has an investment in preferred shares of Thrive Impact Fund. The Foundation's investment is accounted for on an amortized cost basis, as the investment is not traded in an active market. The total cost of the shares in Thrive Impact fund is \$40,000 (2022 - \$40,000).

Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2023

5. Equipment

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 9,989	\$ 6,697	\$ 9,989	\$ 5,475
Computer equipment	8,987	8,388	8,987	7,862
	18,976	15,085	18,976	13,337
		\$ 3,891		\$ 5,639

6. 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 January 18, 2024, 25% of the amount loaned under CEBA is forgiven. If the loan is not repaid in full by January 18, 2024, 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, 2023

7. 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:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 1,270,035	\$ 1,666,929
Add:		
Contributions received	612,310	397,308
Interest earned	90,484	(59,550)
Less:		
Contributions recognized as revenue	<u>(617,946)</u>	<u>(734,652)</u>
Ending balance	<u>\$ 1,354,883</u>	<u>\$ 1,270,035</u>

The allocation of deferred contributions is as follows:

	<u>2023</u>	<u>2022</u>
Okanagan Rail Trail	\$ 641,327	\$ 620,847
Friends of the Okanagan Rail Trail	18,985	16,567
Term Endowments	375,204	382,251
Flow Through Grants	<u>319,367</u>	<u>250,370</u>
	<u>\$ 1,354,883</u>	<u>\$ 1,270,035</u>

8. 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 (2022 - one policy, \$500,000).

Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2023

9. 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 2023, the Foundation received contributed principal of \$185,506 (2022 - \$1,155,548) not including the change to the cash surrender value of life insurance policies.

10. 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.

11. 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.

12. President's Fund

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 14,103	\$ 12,475
Contributions	-	1,628
Distributions	(9,140)	-
Transfers	<u>1,392</u>	-
Balance, end of year	<u>\$ 6,355</u>	<u>\$ 14,103</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, 2023

13. 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.

14. Remuneration

The Societies Act (British Columbia) requires certain information to be reported with regards to remuneration of employees, contractors and directors. Included in wages and benefits on the Statement of Operations is one employee (2022 - one) with remuneration over \$75,000. No honoraria were paid to members of the Board of Directors for the current year or the prior year.

15. 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 \$184,419 change in the excess (deficiency) of 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
(Unaudited)**

For the year ended September 30

2023

Abbeyfield House of Armstrong Spallumcheen Society	\$	380
Allan Brooks Nature Centre Society		56,205
Archway Society for Domestic Peace		15,628
Armstrong Spallumcheen Museum & Arts Society		18,205
Athletics For Kids Financial Assistance (BC) Society		3,500
Ballet Jorgen Canada		4,500
Baptist Missionary Society of Latin America		5,718
BC Small Wetlands Association		8,500
BC SPCA Vernon & District Branch		6,908
BGC Okanagan		10,040
Caetani Cultural Centre Society		22,125
Canadian Cancer Society		1,394
Canadian Mental Health Association Vernon & District		57,000
Canadian Red Cross BC & Yukon		2,500
Caravan Farm Theatre		288
Community Dental Access Centre Society		288
Community Recreational Initiatives Society		10,000
Compassionate Friends of Vernon		500
COPS for Kids Charitable Foundation		10,000
Cowichan Valley Hospice Society		1,000
Eagle Bay Camp Society		301
Family Resource Centre Society of the North Okanagan		5,500
Fresh Outlook Foundation		17,000
Friends of the Okanagan Rail Trail Society		16,735
Greater Vernon Museum & Archives Society		32,338
Healthy Essentials Clinic		3,995
HOPE Outreach		15,000
Independent Living Vernon		9,750
John Rudy Health Resource Centre Association		3,000
Kindale Development Association		2,337
Learning Disabilities Association of BC		1,135
Literacy Alliance of the Shuswap Society		1,500
Literary Society of the North Okanagan		6,321
Lumby Food Bank Society		1,000
Mackie Lake House Foundation		724
MCC Canada		904
Medical Ministry International		2,012
Men's Shed Vernon Society		773
Nexus BC Community Resource Centre Society		5,000
Niteo Africa Society		5,000
North Okanagan Cycling Society		15,000
North Okanagan Friendship Center Society		1,500
North Okanagan Hospice Society		25,480
North Okanagan Neurological Association		5,000
North Okanagan Therapeutic Riding Association		2,669
North Okanagan Youth & Family Services Society		10,000
North Westside Road Firefighters Society		518
Okanagan College		5,000
Subtotal	\$	430,171

Community Foundation of the North Okanagan Schedule 1 - Funds Distributed

For the year ended September 30

2023

Balance, carried forward	\$	430,171
Okanagan College Foundation		24,143
Okanagan Indian Band		10,039
Okanagan Regional Library		200
Okanagan Symphony Society		8,674
O'Keefe Ranch & Interior Heritage Society		17,504
Pacific Parkinson's Research Institute		2,000
People Place Society		11,143
Potters Without Borders Association		288
Powerhouse Theatre Society		345
Regional District of North Okanagan		38,000
Rough Acres Bible Camp Society		350
Salvation Army Vernon Community Church		33,704
School District #22		62,845
School District #58		2,470
School District #83		4,500
Schubert Center Society		12,500
Simon Fraser University		156
Social Planning and Research Council of BC (SPARC BC) Society		40,288
St. John Ambulance Society		5,022
Sustainable Environment Network Society		2,392
Take a Hike Youth Mental Health Foundation		10,000
TFL (Technology For Living)		5,000
The British Columbia Lions Society for Children with Disabilities		12,247
The Land Conservancy of BC (TLC BC)		1,735
Trent University		5,000
Trinity United Church - Special Gifts Committee		2,720
Turning Points Collaborative Society		92,674
United Way BC		18,884
University of Alberta		2,415
University of British Columbia		601
University of British Columbia Library		300
University of Toronto		500
University of Victoria		837
Vernon & District Performing Arts Centre Society		30,700
Vernon and District Immigrant and Community Services Society		30,000
Vernon Community Arts Centre		1,735
Vernon Community Music School		49,204
Vernon Jubilee Hospital Foundation		113,391
Vernon Pensioners Accommodation Society		165
Vernon Public Art Gallery Society		41,417
Vernon Restholm Association		240
Vernon Science & Discovery Society		288
Vernon Upper Room Mission Society		18,564
War Amps of Canada		5,718
Whitevalley Community Resource Centre		50,000
	\$	<u>1,201,069</u>

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

For the year ended September 30

2023

**Okanagan Rail Trail Distributions
City of Kelowna**

\$ 5,062

\$ 5,062