

**Community Foundation of the North
Okanagan
Financial Statements
For the Year Ended September 30, 2021**

**Community Foundation of the North Okanagan
Financial Statements
For the Year Ended September 30, 2021**

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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, 2021, 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, 2021, 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

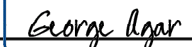
Chartered Professional Accountants


Vernon, British Columbia
November 23, 2021

Community Foundation of the North Okanagan Statement of Financial Position

September 30	2021	2020
Assets		
Current		
Cash	\$ 66,661	\$ 244,316
Accounts receivable	1,800	2,987
	68,461	247,303
Restricted cash and investments (Note 2)	1,666,929	1,477,210
Long-term investments (Note 3)	19,021,369	16,637,076
Equipment (Note 4)	5,781	2,266
	\$20,762,540	\$ 18,363,855
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 6,360	\$ 3,109
Short term debt (Note 5)	40,000	40,000
	46,360	43,109
Deferred contributions for expenses of future periods (Note 6)	1,666,929	1,477,210
	1,713,289	1,520,319
Net Assets		
Funds Under Administration (Note 8)		
Contributed principal	12,977,814	12,408,457
Retained returns from investments	5,058,629	3,368,959
	18,036,443	15,777,416
Funds available for distribution (Note 9)	817,157	758,193
Investment in equipment	5,781	2,266
Administration account (Note 10)	189,870	305,661
	19,049,251	16,843,536
	\$20,762,540	\$ 18,363,855

On behalf of the Board:

DocuSigned by:

 AD5DE77BAE474CB... Director

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 76D6C2E10EFE4D5... 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	2021 Total	2020 Total
Balance, beginning of the year	\$ 12,408,457	\$ 3,368,959	\$ 758,193	\$ 2,266	\$ 305,661	\$ 16,843,536	\$ 16,436,045
Excess (deficiency) of revenues over expenses	-	2,570,515	(590,080)	(1,341)	(342,736)	1,636,358	252,993
Endowment contributions	569,357	-	-	-	-	569,357	154,498
Net transfers from retained returns	-	(880,845)	649,044	-	231,801	-	-
Equipment additions	-	-	-	4,856	(4,856)	-	-
Balance, end of the year	\$ 12,977,814	\$ 5,058,629	\$ 817,157	\$ 5,781	\$ 189,870	\$ 19,049,251	\$ 16,843,536

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	2021	2020
Revenue		
Investment income (Note 3)	\$ 1,157,440	\$ 698,373
Okanagan Rail Trail contributions recognized	221,465	424,284
Gains on managed portfolio investments (Note 3)	1,504,443	307,991
Flow through grants	760,188	562,892
Donations from Vancouver Foundation Endowment Fund (Note 12)	7,118	6,969
Donations for life insurance premiums	3,435	3,435
Donations for Vital Signs project	-	7,250
Donations to administration	26,673	41,847
Government subsidy	475	2,275
Fees on flow through donations	462	1,875
	<u>3,681,699</u>	<u>2,057,191</u>
Expenses		
Administration	9,420	12,164
Advisor fees	91,368	73,973
Amortization of capital assets	1,340	845
Bank charges	403	238
Fund development	125,741	29,662
Grants and distributions to charities (Schedule 1)	1,350,268	1,070,932
Life insurance premiums	3,435	3,435
Office	15,962	12,272
Okanagan Rail Trail project distributions (Schedule 1)	221,465	424,284
Professional fees	11,458	14,705
Publicity and promotion	45,934	23,515
Wages and benefits	168,547	138,173
	<u>2,045,341</u>	<u>1,804,198</u>
Excess of revenues over expenses	<u>\$ 1,636,358</u>	<u>\$ 252,993</u>

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	2021	2020
Cash flows from operating activities		
Cash receipts from investments	\$ 1,157,440	\$ 698,373
Cash receipts for grants and donations	1,028,845	1,230,727
Cash paid to suppliers and employees	(469,015)	(307,667)
Cash paid to charities	(1,350,268)	(1,070,932)
Cash receipts for the Okanagan Rail Trail project	181,976	175,810
Cash paid to the Okanagan Rail Trail project	(221,465)	(424,284)
	<u>327,513</u>	<u>302,027</u>
Cash flows from investing activities		
Purchase of investments, net	(1,035,240)	(311,587)
Purchase of equipment	(4,856)	(1,261)
	<u>(1,040,096)</u>	<u>(312,848)</u>
Cash flows from financing activities		
Proceeds from short term debt	-	40,000
Endowment contributions	569,357	154,498
	<u>569,357</u>	<u>194,498</u>
Net (decrease) increase in cash	(143,226)	183,677
Cash, beginning of the year	<u>246,927</u>	<u>63,250</u>
Cash, end of the year	\$ 103,701	\$ 246,927
Represented by:		
Cash	\$ 66,661	\$ 244,316
Restricted cash	37,040	2,611
	<u>\$ 103,701</u>	<u>\$ 246,927</u>

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

Community Foundation of the North Okanagan

Notes to Financial Statements

September 30, 2021

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, 2021

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	<p>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.</p> <p>Investment income and gains from managed portfolio is recognized as revenue in the year in which they are earned.</p>
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, 2021

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, 2021

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.

	2021	2020
Cash	\$ 37,040	\$ 2,611
Investments (cost - \$1,627,613 (2020 - \$1,474,407))	1,629,889	1,474,599
	\$ 1,666,929	\$ 1,477,210

3. Long-term Investments

Long-term investments consist of the following:

	2021	2020
At amortized cost:		
Bonds (cost - \$7,151,655 (2020 - \$6,132,413))	\$ 6,958,902	\$ 6,382,205
Equities (cost - \$10,380,603 (2020 - \$10,379,347))	12,062,009	10,254,791
Cash and cash equivalents	459	80
	\$19,021,370	\$ 16,637,076

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

Investment income	\$ 1,157,440	\$ 698,373
Gains (losses) on managed portfolio investments	1,504,443	307,991
	\$ 2,661,883	\$ 1,006,364

Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2021

4. Equipment

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 8,338	\$ 4,418	\$ 4,429	\$ 3,918
Computer equipment	8,987	7,126	8,040	6,285
	17,325	11,544	12,469	10,203
		\$ 5,781		\$ 2,266

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, 2021

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:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 1,477,210	\$ 1,120,808
Add:		
Contributions received	387,060	772,141
Interest earned	24,124	8,545
Less:		
Contributions recognized as revenue	<u>(221,465)</u>	<u>(424,284)</u>
Ending balance	<u>\$ 1,666,929</u>	<u>\$ 1,477,210</u>

The allocation of deferred contributions is as follows:

	<u>2021</u>	<u>2020</u>
Okanagan Rail Trail	\$ 663,184	\$ 720,276
Friends of the Okanagan Rail Trail	36,652	19,049
Term Endowments	502,355	380,396
Flow Through Grants	<u>464,738</u>	<u>357,489</u>
	<u>\$ 1,666,929</u>	<u>\$ 1,477,210</u>

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 (2020 - one policy, \$500,000).

Community Foundation of the North Okanagan Notes to Financial Statements

September 30, 2021

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 2021, the Foundation received contributed principal of \$569,357 (2020 - \$154,498) 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>2021</u>	<u>2020</u>
Balance, beginning of year	\$ -	\$ 12,806
Contributions	12,475	1,316
Distributions	-	(14,122)
Balance, end of year	<u>\$ 12,475</u>	<u>\$ -</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, 2021

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. 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 (2020 - 1) with remuneration over \$75,000. The total salaries paid to this individual for the year ended September 30, 2021 was \$88,782 (2020 - 88,899). No honoraria were paid to members of the Board of Directors for the current year or the prior year.

14. 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 \$195,186 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

2021

Abbeyfield House of Armstrong Spallumcheen Society	\$	439
Abbeyfield Houses of Vernon Society		5,000
Allan Brooks Nature Centre Society		76,775
Archway Society for Domestic Peace		65,110
Armstrong Spallumcheen Museum & Arts Society		22,556
Athletics For Kids Financial Assistance (BC) Society		2,000
Baptist Missionary Society of Latin America		6,607
BC Lions Society for Children with Disabilities		5,136
BC SPCA Vernon & District Branch		7,981
Brain Trust Canada Association		5,000
Bridge Educational Society		4,000
Caetani Cultural Centre Society		21,365
Canadian Cancer Society		1,610
Canadian Mental Health Association Vernon & District		24,199
Canadian Red Cross BC & Yukon		27,531
Caravan Farm Theatre		9,342
Central Okanagan Elizabeth Fry Society		4,240
Central Okanagan Foundation		2,951
City of Vernon		161,175
CMHA Kelowna		900
Community Dental Access Centre Society		19,905
Community Foundation of South Okanagan Similkameen		15,000
Community Recreational Initiatives Society		10,000
Compassionate Friends of Vernon		1,000
Covenant House Vancouver		1,000
Eagle Bay Camp Society		348
Enderby & District Arts Council		1,000
Enderby & District Museum Society		2,500
Federation of BC Naturalists		6,529
Food Action Society of the North Okanagan		303
Greater Vernon Museum & Archives Society		46,459
HOPE Okanagan		36,500
Hullcar & Deep Creek Hall Society		6,885
Independent Living Vernon		13,000
Kelowna General Hospital Foundation		2,500
Kindale Development Association		41,910
Knox Presbyterian Church		1,200
Learning Disabilities Association of BC		1,311
Literary Society of the North Okanagan		11,841
Lumby Historical Society		9,500
Mackie Lake House Foundation		5,837
MADD Central Okanagan		3,000
Medical Ministry International		2,364
Nexus BC Community Resource Centre Society		20,000
North Okanagan Hospice Society		39,916
North Okanagan Neurological Association		3,700
North Okanagan Therapeutic Riding Association		5,084
North Westside Road Firefighters Society		598
Okanagan Boys & Girls Clubs		11,552
Subtotal	\$	774,659

Community Foundation of the North Okanagan Schedule 1 - Funds Distributed

For the year ended September 30

2021

Balance, carried forward	\$ 774,659
Okanagan College Foundation	27,602
Okanagan Landing & District Community Association	15,000
Okanagan Regional Library	1,950
Okanagan Symphony Society	10,692
O'Keefe Ranch & Interior Heritage Society	12,056
Olive Branch for Children	10,000
People Place	9,516
Plan International Canada	730
Potters Without Borders Association	6,841
Powerhouse Theater Society	2,500
Regional District of North Okanagan	5,000
Ronald McDonald House BC & Yukon	2,500
Salvation Army Vernon Community Church	41,156
School District #22	54,051
School District #58	2,854
School District #83	4,900
Schubert Center Society	20,000
Simon Fraser University	181
St. John Ambulance Society	5,802
St. Vincent Foster Parent Association	2,385
Sustainable Environment Network Society	2,734
Teens Count Too Society	250
The Land Conservancy of BC (TLC BC)	2,004
Trinity United Church - Special Gifts Committee	2,479
Turning Points Collaborative Society	1,163
United Way Southern Interior BC	16,854
University of Alberta	7,837
University of British Columbia	300
University of Toronto	500
University of Victoria	966
Valhalla Wilderness Society	6,539
Vernon & District Performing Arts Centre Society	45,439
Vernon Community Arts Centre	12,004
Vernon Community Music School	31,716
Vernon Jubilee Hospital Foundation	161,553
Vernon Montessori Society	2,000
Vernon Pensioners Accommodation Society	191
Vernon Public Art Gallery Society	16,605
Vernon Restholm Association	277
Vernon Science & Discovery Society	12,111
Vernon Search & Rescue	5,000
Vernon Theatrical Arts Center Society	399
Vernon Upper Room Mission Society	3,364
War Amps of Canada	6,608
World Vision Canada	1,000
	\$ 1,350,268

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

For the year ended September 30

2021

Okanagan Rail Trail Distributions	
City of Kelowna	\$ 107,061
Regional District of North Okanagan	111,174
Other Reimbursements	<u>3,230</u>
	<u>\$ 221,465</u>