



Financial Statements

Central Okanagan Foundation

August 31, 2021

Contents

	Page
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-12

Independent Auditor's Report

Grant Thornton LLP
200-1633 Ellis Street
Kelowna, BC
V1Y 2A8

T +1 250 712 6800
F +1 250 712 6850

To the directors of
Central Okanagan Foundation

Opinion

We have audited the financial statements of Central Okanagan Foundation (“the Foundation”), which comprise the statement of financial position as at August 31, 2021, and the statements of operations, 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 August 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by the Societies Act of British Columbia, we report that in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

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 qualified opinion.

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

Management is responsible for the preparation and fair presentation of these 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.

Kelowna, Canada
November 22, 2021

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Chartered Professional Accountants

Central Okanagan Foundation Statement of Financial Position

August 31 2021 2020

Assets

Current

Cash and cash equivalents	\$ 825,170	\$ 489,054
Receivables	14,433	21,787
Accrued interest receivable	639,774	445,528
Prepaid expenses	45,655	26,911
	1,525,032	983,280

Portfolio investments

Cash and cash equivalents	2,010,644	2,119,687
Laddered bond portfolio	10,952,061	9,622,662
Managed accounts at fair value	28,328,765	23,509,933
	41,291,470	35,252,282

Life insurance policies (Note 3)

32,153 29,489

Tangible capital assets (Note 4)

24,095 26,026

41,347,718 **35,307,797**

\$ 42,872,750 **\$ 36,291,077**

Liabilities

Current

Payables and accruals	\$ 64,967	\$ 65,961
Undistributed allocations	444,215	321,934
Grants payable (Note 5)	194,056	272,888
Unearned revenue (Note 6)	402,853	383,557
	1,106,091	1,044,340

Long-term grants payable (Note 5)

82,500 **19,667**

Net assets

Restricted to - Endowment funds (Note 7)	32,811,554	30,418,175
- Flow-through funds (Note 8)	1,034,839	953,110
- Invested in tangible capital assets	24,095	26,026
- Allocations reserve (Note 9)	1,646,529	2,336,641
Unrestricted - Impact fund	936,852	903,651
- Operating fund	5,198,137	559,978
	41,652,006	35,197,581

Interest in life insurance policies (Note 3)

32,153 29,489

41,684,159 **35,227,070**


\$ 42,872,750 **\$ 36,291,077**

Commitment (Note 13)

On behalf of the Board



Director

DocuSigned by:


0460E0D0766D476... Director

Central Okanagan Foundation

Statement of Operations

Year ended August 31

	Restricted				Unrestricted		2021 Total	2020 Total
	Endowment funds	Flow- through funds	Invested in tangible capital assets	Allocations reserve	Impact fund	Operating fund		
Revenue								
Endowment contributions	\$ 2,374,633	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,374,633	\$ 1,184,628
Flow-through donations								
- General	-	1,121,354	-	-	-	-	1,121,354	866,836
- City of Kelowna grants	-	187,000	-	-	-	23,000	210,000	210,000
- District of Peachland grants	-	4,000	-	-	-	-	4,000	2,000
- Bursary and scholarship	-	16,398	-	-	-	-	16,398	16,194
Investment returns								
- Interest and dividends	-	-	-	-	-	290,075	290,075	301,286
- Realized and unrealized gain on equity portfolio	-	-	-	-	-	5,376,763	5,376,763	755,941
Donations	-	-	-	-	62,208	16,250	78,458	171,540
Special projects (Note 6)								
- Special project revenue	-	-	-	-	-	116,678	116,678	113,068
- Sub-project	-	-	-	-	-	1,336,558	1,336,558	1,005,618
In-kind contributions								
- Annual report	-	-	-	-	-	8,000	8,000	8,000
- Insurance premiums	-	-	-	-	-	36,791	36,791	35,067
	<u>2,374,633</u>	<u>1,328,752</u>	<u>-</u>	<u>-</u>	<u>62,208</u>	<u>7,204,115</u>	<u>10,969,708</u>	<u>4,670,178</u>
Expenses								
Administration (Note 10)	-	-	-	-	-	666,740	666,740	676,694
Amortization	-	-	9,899	-	-	-	9,899	13,425
Distributions	-	-	-	-	29,361	1,182,390	1,211,751	919,042
Special project – sub-project costs (Note 6)	-	-	-	-	-	1,336,558	1,336,558	1,005,618
Flow-through funds – distributions (Note 11)	-	1,050,161	-	-	-	-	1,050,161	1,321,546
Investment management fee	-	-	-	-	-	240,174	240,174	218,058
Loss on assets disposal	-	-	-	-	-	-	-	20,996
	<u>-</u>	<u>1,050,161</u>	<u>9,899</u>	<u>-</u>	<u>29,361</u>	<u>3,425,862</u>	<u>4,515,283</u>	<u>4,175,379</u>
Excess (deficiency) of revenue over expenses	<u>\$ 2,374,633</u>	<u>\$ 278,591</u>	<u>\$ (9,899)</u>	<u>\$ -</u>	<u>\$ 32,847</u>	<u>\$ 3,778,253</u>	<u>\$ 6,454,425</u>	<u>\$ 494,799</u>

See accompanying notes to the financial statements

Central Okanagan Foundation

Statement of Changes in Net Assets

Year ended August 31

	Restricted				Unrestricted		2021 Total	2020 Total
	Endowment funds	Flow- through funds	Invested in tangible capital assets	Allocations reserve	Impact fund	Operating fund		
Net assets, beginning of year	\$ 30,418,175	\$ 953,110	\$ 26,026	\$ 2,336,641	\$ 903,651	\$ 559,978	\$ 35,197,581	\$ 34,702,782
Excess (deficiency) of revenue over expenses	2,374,633	278,591	(9,899)	-	32,847	3,778,253	6,454,425	494,799
Interfund transfers	<u>18,746</u>	<u>(196,862)</u>	<u>7,968</u>	<u>(690,112)</u>	<u>354</u>	<u>859,906</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 32,811,554</u>	<u>\$ 1,034,839</u>	<u>\$ 24,095</u>	<u>\$ 1,646,529</u>	<u>\$ 936,852</u>	<u>\$ 5,198,137</u>	<u>\$ 41,652,006</u>	<u>\$ 35,197,581</u>

See accompanying notes to the financial statements

Central Okanagan Foundation

Statement of Cash Flows

Year ended August 31

2021

2020

Increase (decrease) in cash and cash equivalents

Operating		
Excess of revenue over expenses	\$ 6,454,425	\$ 494,799
Adjustment for non-cash items		
Loss on disposal of tangible capital assets	-	20,996
Amortization	9,899	13,425
	<u>6,464,324</u>	<u>529,220</u>
Changes in non-cash operating working capital		
Receivables	7,354	2,856
Accrued interest receivable	(194,246)	(180,841)
Prepaid expenses	(18,744)	16,242
Payables and accruals	(946)	9,570
Undistributed allocations	122,281	(23,081)
Grants payable	(15,999)	(213,445)
Unearned revenue	19,296	211,377
	<u>6,383,320</u>	<u>351,898</u>
Investing		
Purchase of tangible capital assets	(7,968)	(20,201)
Investments, net	(6,039,236)	(98,718)
	<u>(6,047,204)</u>	<u>(118,919)</u>
Increase in cash and cash equivalents	336,116	232,979
Cash and cash equivalents, beginning of year	<u>489,054</u>	<u>256,075</u>
Cash and cash equivalents, end of year	<u>\$ 825,170</u>	<u>\$ 489,054</u>

Central Okanagan Foundation

Notes to the Financial Statements

August 31, 2021

1. Nature of organization

The Foundation is a society incorporated under the Society Act of British Columbia whose purpose is to encourage and promote the establishment of endowment funds on behalf of the community to create a permanent source of income to be distributed annually for charitable activities primarily within the Central Okanagan.

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, it is exempt from income taxes and may issue receipts to donors.

2. Summary of significant accounting policies

Basis of presentation

The Foundation has prepared these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit-Organizations ("ASNPO").

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less.

Financial instruments

- **Initial measurement**

The Foundation's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. For financial instruments subsequently measured at fair value, transaction costs and financing fees are recognized in operations in the year in which they are incurred.

- **Subsequent measurement**

At each reporting date, the Foundation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. The Foundation's financial instruments measured at fair value are its managed accounts as they include equities quoted in an active market. All changes in fair value of the Foundation's managed accounts are recorded in the statement of operations. The Foundation uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments subsequently measured at amortized cost are cash and cash equivalents, receivables, accrued interest receivable, laddered bond portfolio, payables and accruals, undistributed allocations and grants payable.

For financial assets measured at cost or amortized cost, the Foundation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Foundation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

(continued)

Central Okanagan Foundation

Notes to the Financial Statements

August 31, 2021

2. Summary of significant accounting policies *(continued)*

Tangible capital assets and amortization

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution.

Rates of amortization applied on a straight-line basis to write off the cost of tangible capital assets over their estimated lives are as follows:

Computer hardware	5 years
Computer software	5 years
Furniture and equipment	5 years
Leasehold improvements	5 years

Impairment of tangible capital assets

When a tangible capital asset no longer has any long-term service potential to the Foundation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any write-downs recognized are not reversed.

The Foundation tests tangible capital assets, or groups of tangible capital assets, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when the carrying amount of the tangible capital asset or group of tangible capital assets exceeds the asset's fair value or replacement cost.

Undistributed allocations

Undistributed allocations represent amounts approved by the Board of Directors that have not yet been distributed.

Grants payable

Grants payable are recorded when authorized for payment by the Board. At August 31, 2021, there were a number of grants which had been approved by the Board but not yet paid. Grants, which have been approved by the Board and are not payable until after fiscal year 2022 have been recorded as long-term grants payable.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions.

Restricted contributions are recognized as revenue when received or receivable in the appropriate restricted fund. Restricted contributions for which there is no corresponding restricted fund are accounted for using the deferral method and recognized as revenue in the administration fund when the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the appropriate unrestricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund.

Bequests are recognized as revenue when received.

(continued)

Central Okanagan Foundation

Notes to the Financial Statements

August 31, 2021

2. Summary of significant accounting policies *(continued)*

Revenue recognition *(continued)*

Flow-through funds received from organizations or donors are distributed annually according to recommendations of the Foundation grant committee or as recommended by the donor. These funds are therefore recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured and as an expense when allocated.

Volunteers and other local businesses contribute significant services and other gifts to assist the Foundation. If determinable, in-kind contributions are recorded at their fair market value when received.

Life insurance policies

Life insurance policies owned by the Foundation and where the Foundation is the sole beneficiary are included in assets to the extent of their cash surrender value.

Outstanding pledges

Various contributors to the Foundation have pledged to contribute specified principal amounts within five years. These outstanding pledges, that total \$6,709 (2020 – \$13,050), are recorded as received as collectability is not reasonably assured.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each year end date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are recorded in the statement of operations in the year they become known. Items subject to significant management estimates include allowance for doubtful accounts, if applicable, and estimated useful life and related amortization rates of tangible capital assets.

3. Life insurance policies

The Foundation has been given life insurance policies under which it is the owner and sole beneficiary. The policies are treated as an investment and shown as an asset to the extent of the cash surrender values. The total coverage provided under the policies owned by the Foundation is approximately \$708,500 (2020 – \$708,500).

	<u>2021</u>	<u>2020</u>
Cash surrender value, beginning of year	\$ 29,489	\$ 28,297
Change in cash surrender value	<u>2,664</u>	<u>1,192</u>
Cash surrender value, end of year	<u>\$ 32,153</u>	<u>\$ 29,489</u>

Premiums paid during the year by the insured donors were \$36,791 (2020 – \$35,067) and are recognized as both revenue and expense in the statement of operations.

Central Okanagan Foundation

Notes to the Financial Statements

August 31, 2021

4. Tangible capital assets

			<u>2021</u>	<u>2020</u>
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 32,618	\$ 20,159	\$ 12,459	\$ 16,805
Computer software	20,684	11,609	9,075	3,401
Furniture and equipment	23,365	20,903	2,462	5,519
Leasehold improvements	993	894	99	301
	<u>\$ 77,660</u>	<u>\$ 53,565</u>	<u>\$ 24,095</u>	<u>\$ 26,026</u>

5. Grants payable

Grants payable consist of the following:

		<u>2021</u>	<u>2020</u>
Total grants payable	\$	276,556	\$ 292,555
Less: current portion		<u>(194,056)</u>	<u>(272,888)</u>
		<u>\$ 82,500</u>	<u>\$ 19,667</u>

Grants payable are expected to be paid as follows:

2022	\$	194,056
2023		<u>82,500</u>
	\$	<u>276,556</u>

6. Unearned revenue

Unearned revenue relates to grants received in the current year that will be used during future years. The unearned revenue for the year is as follows:

		<u>2021</u>	<u>2020</u>
Reaching Home			
Deferred revenue opening balance	\$	383,557	\$ 172,180
Funding received/receivable		1,472,532	1,330,063
Recognized special projects revenue		(116,678)	(113,068)
Sub-project costs		<u>(1,336,558)</u>	<u>(1,005,618)</u>
Total unearned revenue	\$	<u>402,853</u>	<u>\$ 383,557</u>

Effective April 1, 2015, the Foundation partnered with Human Resources and Skills Development Canada through a Homelessness Partnering Strategy (HPS) program which ran from April 1, 2015 to March 31, 2019. As of March 25, 2019, the Foundation obtained a new five-year contract, that was renamed the Reaching Home (RH) program, that runs from April 1, 2019 to March 31, 2024. The RH promotes strategic partnerships and structures, including housing solutions and supports, to assist homeless persons and those at risk of becoming homeless in moving toward self-sufficiency.

Central Okanagan Foundation

Notes to the Financial Statements

August 31, 2021

7. Endowment funds

The principal contributed by donors is to be held as a permanent endowment in separate funds. Investment returns earned on these endowment funds are allocated, as directed by the fund donor for designated funds or as determined by the Foundation's Directors for discretionary funds and distributed in amounts determined annually by the Foundation's Directors. For the current fiscal year, the allocation rate was set at 3.5% (2020 – 3.5%). Subsequent to year-end the Board approved a 7.5% allocation rate for fiscal 2022, plus an additional allocation of 1% to Capital.

8. Flow-through funds

The flow-through funds relate to amounts that have not yet been allocated and disbursed. The sources of these funds are as follows:

	<u>2021</u>	<u>2020</u>
Okanagan Rail Trail Initiative	\$ 624,423	\$ 760,046
Other	410,416	193,064
	<u>\$ 1,034,839</u>	<u>\$ 953,110</u>

9. Allocation reserve

In 2012, the Board of Directors established an internally restricted allocations reserve. This reserve is intended to provide funding for allocations in those years where investment returns are less than the 3.5% allocations goal set by the Board. This reserve is not available for unrestricted purposes without approval of the Board of Directors. It is the Foundation's objective to accumulate a balance in the reserve representing an estimate of three years of allocation distributions. As directed by the Board of Directors, contributions to the fund may be made from investment earnings in excess of 3.5% and transfers from other funds. Income earned on the reserve fund will be added to the investment returns and allocations fund.

10. Administration

	<u>Reaching Home</u>			<u>2021</u>	2020
	<u>Designated</u>	<u>Indigenous</u>	<u>General</u>		
	<u>communities</u>	<u>homelessness</u>			
Board and committee meetings	-	-	2,871	2,871	10,806
Communications and IT	1,760	180	39,341	41,281	39,498
Conferences and workshops	-	-	764	764	2,382
In-kind insurance premiums	-	-	36,791	36,791	35,067
Insurance	-	-	2,736	2,736	2,364
Memberships	-	-	12,570	12,570	12,131
Office and printing	4,187	370	16,034	20,591	22,509
Professional fees	5,768	1,100	29,697	36,565	41,892
Publicity and promotion	-	-	21,292	21,292	22,375
Rent	9,169	931	51,824	61,924	62,864
Salaries and benefits	85,943	7,270	336,142	429,355	424,806
	<u>\$ 106,827</u>	<u>\$ 9,851</u>	<u>\$ 550,062</u>	<u>\$ 666,740</u>	<u>\$ 676,694</u>

Central Okanagan Foundation

Notes to the Financial Statements

August 31, 2021

11. Flow-through funds – distributions

A summary of the flow-through funds distributed is as follows:

	<u>2021</u>	<u>2020</u>
General	\$ 844,588	\$ 1,115,222
City of Kelowna	182,000	187,000
Bursaries	<u>23,573</u>	<u>19,324</u>
	<u>\$ 1,050,161</u>	<u>\$ 1,321,546</u>

12. Administrative fee

A Board approved administration fee of 1.2% (2020 – 1.2%) of the average investment portfolio is used to help defray operating costs.

13. Commitment

The Foundation renewed its lease agreement for its premises through March 1, 2027. Minimum lease payments are \$61,032 for 2022 and \$62,939 per year for duration of the lease.

14. Financial instruments risks

Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest risk and other price risk. The Foundation is mainly exposed to interest rate and other price risk.

- **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 interest rate risk with respect to investments in bonds.

- **Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk on its managed accounts as these include investments in equities quoted in an active market.

15. British Columbia Societies Act

The British Columbia Societies Act requires disclosure of the amounts of remuneration paid to all directors, the ten highest paid employees, and all contractors who were paid at least \$75,000 annually. The Society had two individuals that fall within this disclosure requirement with a combined annual remuneration of approximately \$182,940 (2020 – \$177,700) for the year ended August 31, 2021.
