

Financial Statement of

**COMMUNITY FOUNDATION OF THE
SOUTH OKANAGAN SIMILKAMEEN**

And Independent Auditors' Report thereon

Year ended December 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Community Foundation of the South Okanagan Similkameen

Opinion

We have audited the financial statements of Community Foundation of the South Okanagan Similkameen (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of revenue, expenses and fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020 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.

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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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
- 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 policies applied by the Entity in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Kelowna, Canada

May 25, 2021

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Statement of Financial Position

December 31, 2020, with comparative information for 2019

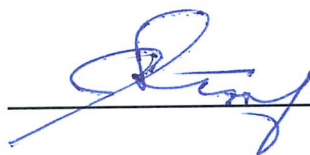
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 298,409	\$ 242,959
Restricted cash and cash equivalents	390,057	362,446
Accounts receivable	31,207	30,482
Canada Emergency Wage Subsidies receivable (note 2)	38,337	-
Deposits and prepaid expenses	13,998	14,160
	<u>772,008</u>	<u>650,047</u>
Investments, measured at fair value (note 3)	11,367,184	10,264,605
Tangible capital assets (note 4)	2,859,321	2,912,582
	<u>\$ 14,998,513</u>	<u>\$ 13,827,234</u>
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 63,427	\$ 52,049
Security deposits	10,412	10,412
Demand loan (note 5)	1,780,015	1,839,549
	<u>1,853,854</u>	<u>1,902,010</u>
Canada Emergency Business Account loan (note 2)	40,000	-
	<u>1,893,854</u>	<u>1,902,010</u>
Fund balances		
Unrestricted		
Invested in tangible capital assets	1,079,306	1,073,033
Unrestricted	268,112	228,359
	<u>1,347,418</u>	<u>1,301,392</u>
Restricted:		
Endowments	9,572,977	8,946,651
Retained returns from investments	1,634,921	1,419,556
Other	549,343	257,625
	<u>11,757,241</u>	<u>10,623,832</u>
	<u>13,104,659</u>	<u>11,925,224</u>
	<u>\$ 14,998,513</u>	<u>\$ 13,827,234</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Statement of Revenue, Expenses and Fund Balances

Year ended December 31, 2020, with comparative information for 2019

	Unrestricted	Restricted	2020	2019
Revenue				
Investment				
Investment income	\$ 15,910	\$ 471,787	\$ 487,697	\$ 533,614
Gains on investments (note 3)	-	512,767	512,767	782,491
Less: Investment management fees	-	(57,686)	(57,686)	(55,544)
	15,910	926,868	942,778	1,260,561
Contributions				
Designated funds	-	626,326	626,326	782,497
Flow through	-	152,374	152,374	385,363
Grants and sponsorships	98,800	125,933	224,733	144,314
Other	32,927	162,832	195,759	107,957
	131,727	1,067,465	1,199,192	1,420,131
Administration fees				
Restricted funds	158,555	(158,555)	-	-
Other	5,346	-	5,346	5,537
	163,901	(158,555)	5,346	5,537
Rental revenue (note 6)	237,649	-	237,649	243,846
Fundraising	-	-	-	941
Other revenue (note 2)	90,732	-	90,732	-
Total revenue	639,919	1,835,778	2,475,697	2,931,016
Expenses				
Grants paid	-	685,759	685,759	981,119
Administrative				
Amortization	568	-	568	884
Contract fees	3,301	-	3,301	25,600
Insurance	1,103	-	1,103	1,141
Licenses, dues and fees	42,829	-	42,829	15,636
Office and miscellaneous	4,398	-	4,398	13,866
Professional development	805	-	805	5,727
Professional fees	28,775	9,918	38,693	30,603
Public relations and communications	11,217	6,692	17,909	25,254
Rent	10,800	-	10,800	10,800
Salaries and wages (note 9)	267,876	-	267,876	260,333
Telephone	3,988	-	3,988	4,143
Travel	3,191	-	3,191	12,438
	378,851	16,610	395,461	406,425
Rental expenses (note 6)	215,042	-	215,042	282,831
Fundraising	-	-	-	3,345
Total expenses	593,893	702,369	1,296,262	1,673,720
Excess of revenue over expenses	46,026	1,133,409	1,179,435	1,257,296
Fund balances, beginning of year	1,301,392	10,623,832	11,925,224	10,667,928
Fund transfers	-	-	-	-
Fund balances, end of year	\$ 1,347,418	\$ 11,757,241	\$ 13,104,659	\$ 11,925,224

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities		
Cash receipts from fundraising	\$ -	\$ 941
Cash receipts from contributions and other revenues	617,568	638,691
Cash receipts from endowment contributions	626,326	782,497
Cash receipts from investment revenue	435,357	483,607
Cash receipts from rental revenue	237,649	245,257
Cash paid for rental expenses	(95,754)	(143,389)
Cash paid for administrative, fundraising and other expenses	(385,412)	(392,253)
Cash paid for grants	(685,759)	(981,119)
Cash paid for interest	(66,497)	(87,294)
	<u>683,478</u>	<u>546,938</u>
Financing activities:		
Increase in restricted cash and cash equivalents	(27,611)	78,577
Net repayment of demand loan	(59,534)	(32,466)
Canada Emergency Business Account loan proceeds	40,000	-
	<u>(47,145)</u>	<u>46,111</u>
Investing activities:		
Purchase of tangible capital assets	(99)	(11,701)
Net increase in investments	(580,784)	(549,474)
	<u>(580,883)</u>	<u>(561,175)</u>
Increase in cash and cash equivalents	55,450	31,874
Cash and cash equivalents, beginning of year	242,959	211,085
Cash and cash equivalents, end of year	<u>\$ 298,409</u>	<u>\$ 242,959</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements

Year ended December 31, 2020

Community Foundation of the South Okanagan Similkameen (the "Foundation") is dedicated to building healthy, vibrant, and livable communities across the South Okanagan Similkameen. The Foundation makes beneficial and lasting improvements by connecting gifts of energy, ideas, time and money with the needs and opportunities of our communities.

The Foundation sees itself operating three "lines of business". As "brokers" we achieve our goals through supporting others to achieve their legacies, primarily by working with donors to fulfill their giving goals. As "catalysts" we act and engage in social change, working as philanthropic leaders to build a culture of giving, and proactively conducting research to better understand community needs. As "facilitators" we encourage others to join as groups to create their dreams by bringing diverse groups together to implement or fund social change.

The Foundation accepts donations received as contributions to its operations, endowment funds, and restricted funds, as directed by donors. Grants are made to charitable organizations throughout the South Okanagan Similkameen using income earned from the investment of donated assets.

The Foundation was incorporated on December 18, 1991, and became a registered charity under the Income Tax Act on August 10, 1992. The Foundation operates under the Societies Act of British Columbia. As a result of its status as a charity, the Foundation is exempt from income taxes and may issue tax receipts to donors as long as it complies with the rules and regulations of the Income Tax Act.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The Foundation applied for, and received, government assistance through the Government of Canada's Emergency Wage Subsidy program ("CEWS"), the 10% Temporary Wage Subsidy for Employers ("TWS"), and the Canada Emergency Business Account loan ("CEBA"). The extent to which COVID-19 impacts the Foundation's future operations will depend on numerous evolving factors including, but not limited to, the magnitude and duration of COVID-19; the extent to which it will impact worldwide macroeconomic conditions, including interest rates and market prices; and governmental and business reactions to the pandemic. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and an estimate of the financial effect on the Foundation is not practicable at this time.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies:

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Foundation's significant accounting policies are as follows:

(a) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions, thereby recognizing contributions and investment income as revenue in the appropriate restricted funds as specified by donors. The fund classifications are:

(i) Unrestricted:

Unrestricted represents unrestricted contributions, investment income and fundraising proceeds, administrative fees charged to restricted funds, administrative expenses and community grants. The Foundation holds its investment in tangible capital assets and realizes related net revenue inside its unrestricted fund.

(ii) Restricted

Restricted funds include endowment funds and other externally or internally restricted funds. Endowment fund represents funds that are permanently restricted by the donor; these funds must be maintained in perpetuity. Other restricted funds represent flow-through funds specifically designated by donors, grants designated for specific and non-specific charitable purposes as well as restricted investment income earned on the endowment funds. Administration fees are charged on all restricted funds in accordance with financial management policies of the Foundation.

(b) Revenue recognition:

Contributions to the restricted or unrestricted fund are recognized as revenue when they are received or receivable, provided the amounts are measurable and collection is reasonably assured.

Investment income earned on restricted funds is recognized as revenue in the restricted fund in accordance with the terms of the restricted contribution. Investment income on unrestricted funds is recognized as revenue in the unrestricted fund.

Rental revenue is recognized in the unrestricted fund as revenue is received or receivable, provided the amounts are measurable and collection is reasonably assured.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents includes cash and term deposits readily convertible into cash.

(d) Tangible capital assets:

Tangible capital assets are recorded at cost, less accumulated amortization. When the Foundation's management determines that certain tangible capital assets no longer contribute to its ability to provide services, their carrying amount is written down to its net recoverable amount. Tangible capital assets are amortized using the following methods and annual rates:

Asset	Method	Rate
Building	Straight-line	50 years
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	20-55%

(e) Investments:

Investments include pooled investment funds, and interest bearing investments. These investments are recorded at their fair values determined, on a settlement date basis, on the last business day of the fiscal period.

(f) Contributed services:

The Foundation receives services from volunteers each year and due to the difficulty of determining their value, contributed services of volunteers are not recognized in the financial statements. When the value of donated services can be reasonably estimated, the amount has been recorded at market value.

(g) Government assistance:

Government assistance related to current expenses and revenue is included in the determination of excess of revenues over expenses for the period. Government assistance is recognized when the Foundation has determined that there is reasonable assurance that the Foundation will comply with the conditions attached to them and the assistance is receivable.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(h) Financial instruments:

The Foundation measures cash and investments at fair value and accounts receivable, security deposits, accounts payable and accrued liabilities and demand loan at amortized cost. Changes in fair value of cash and investments are recognized in the statement of revenues and expenses in the periods in which they arise.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Government assistance:

The Foundation applied for COVID-19 financial relief in Canada under the CEWS program. The CEWS program is a wage subsidy program launched by the Government of Canada to qualifying employers to subsidize payroll costs during the COVID-19 pandemic. The qualified subsidy amounts received under the CEWS program are non-repayable. During the year ended December 31, 2020, the Foundation applied for \$58,718 in subsidies. The subsidies are included in other revenue on the statement of revenue, expenses and fund balances. As at December 31, 2020, \$25,791 has been received.

The Foundation applied for COVID-19 financial relief in Canada under the TWS program. The TWS program was a 3-month measure that allowed eligible employers to reduce the amount of payroll deductions they need to remit to the Canada Revenue Agency ("CRA"). The qualified subsidy amounts received under the TWS program are non-repayable. During the year ended December 31, 2020, the Foundation applied for \$5,500 in subsidies. The subsidies are included in other revenue on the statement of revenue, expenses and fund balances. As at December 31, 2020, \$5,500 has been received.

The Foundation received a non-interest bearing loan financing through the Canada Emergency Business Account ("CEBA") funded by the Government of Canada. If the loan is repaid by December 31, 2022, \$10,000 of the loan will be forgiven. If the loan is not repaid by December 31, 2022, interest at a rate of 5% will be applied and the full amount will be repayable by December 31, 2025.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements (continued)

Year ended December 31, 2020

3. Investments:

	Cost	Fair value 2020	Fair value 2019
Pooled investments	\$ 9,949,179	\$ 11,367,184	\$ 10,264,605

Gains on investments for the year consisted of the following:

	2020	2019
Realized gains	\$ 213,297	\$ 135,095
Unrealized gains	299,470	647,396
	\$ 512,767	\$ 782,491

4. Tangible capital assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 349,279	\$ -	\$ 349,279	\$ 349,279
Building	2,639,551	131,218	2,508,333	2,561,124
Furniture and equipment	3,434	2,310	1,124	1,294
Computer equipment	10,989	10,404	585	885
	\$ 3,003,253	\$ 143,932	\$ 2,859,321	\$ 2,912,582

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Demand loan:

	2020	2019
Demand loan, bearing interest at the the bank's prime lending rate plus 0.75%, secured by land and building and assignment of rents. Repayable in blended monthly payments of \$9,400 and maturing on August 31, 2023.	\$ 1,780,015	\$ -
Demand loan refinanced in the year	-	1,839,549

The demand loan is subject to certain restrictive financial and non-financial covenants. As at, and for the year ending December 31, 2020, the Foundation was in compliance with these covenants.

Assuming the demand feature is not exercised, scheduled principal payments for the next three years to maturity are as follows:

2021	\$ 55,775
2022	57,615
2023	1,666,624

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements (continued)

Year ended December 31, 2020

6. Rental revenue and expense:

	2020	2019
Revenue	\$ 237,649	\$ 243,846
Expenses:		
Administration	21,727	26,419
Amortization	52,791	52,148
Interest	66,497	87,294
Repairs and maintenance	47,628	88,727
Utilities	26,399	28,243
	(215,042)	(282,831)
Excess (deficiency) of revenue over expenses	\$ 22,607	\$ (38,985)

7. Funds held in trust:

At December 31, 2020, the Foundation held trust funds totaling \$1,056,153 (2019 - \$992,597) on behalf of other charitable organizations. These funds are neither an asset nor a liability of the Foundation and, accordingly, are not reflected in the accompanying financial statements.

8. Financial risks and concentration of risk:

The Foundation invests its funds according to an investment policy approved by the Board. The Foundation manages credit, liquidity and market risk associated with its financial instruments by investing in a diversified portfolio managed by an investment firm approved by the Board of Directors. The Foundation's investment policy outlines the objectives, policies and processes relating to investment activities and applies to all investments of the Foundation.

The Board of Directors has overall responsibility for the establishment and oversight of the Foundation's risk management framework, including risks related to financial management of assets.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Financial risks and concentration of risk: (continued):

The Foundation has exposure to the following risks from its use of financial instruments:

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Foundation. The maximum credit risk exposure for the Foundation's financial assets is the carrying value of the assets. There has been no change to the Foundation's credit risk in 2020.

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they come due. The majority of the Foundation's assets are investments traded in active markets that can be readily liquidated. In addition, the Foundation aims to retain a sufficient cash position to manage liquidity in order to meet its obligations on a timely basis. Liquidity risk for the year ended December 31, 2020 was impacted by the repayment on the demand loan.

(c) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in interest rates and equity prices, will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while attempting to maximize the potential return.

(i) Interest rate risk:

Interest rate risk relates to the risk that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Foundation. The Foundation is invested in several fixed income pooled investment funds and attempts to manage this risk by maintaining a mix of investments across a variety of asset classes. The Foundation's demand loan bears interest at a floating rate as disclosed in note 5.

(ii) Equity price risk:

Equity price risk is the risk that the fair value of equity financial instruments will fluctuate due to changes in market prices. The Foundation is exposed to equity price risk on its indirect investments in preferred and common stock. The objective of the Foundation's investment policy is to manage equity price risk by maintaining a portfolio which is diversified across geographic and industry sectors.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Financial risks and concentration of risk: (continued):

(iii) Valuation risk:

The Foundation is subject to valuation risk through its indirect investment in alternative assets including infrastructure and real estate. These assets are regularly reviewed and valuations are updated accordingly.

9. Remuneration paid to directors, employees and contractors:

In accordance with the Societies Act (British Columbia) Section 36.1 and Societies Regulation 9.2(b):

The Directors of the Foundation receive no remuneration for the performance of their responsibilities as Directors.

Of employees earning total annual remuneration of \$75,000 or greater, the Foundation paid total remuneration of \$102,000 (2019 - \$100,000) to one (2019 - one) employee.