Financial Statements of

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

And Independent Auditors' Report thereon

Year ended December 31, 2022

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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, 2022
- 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, 2022 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.

KPMG LLP

Chartered Professional Accountants

Kelowna, Canada

June 22, 2023

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 190,892	$ 183,611
Restricted cash and cash equivalents	1,218,508	1,456,050
Accounts receivable	39,814	24,348
Deposits and prepaid expenses	16,790	15,349
	1,466,004	1,679,358
Investments, measured at fair value (note 3)	11,548,225	12,340,899
Tangible capital assets (note 4)	3,482,632	3,526,865
	$ 16,496,861	$ 17,547,122
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 88,928	$ 102,225
Security deposits	13,212	13,212
Deferred revenue	101,959	-
Current portion of long-term debt	2,155,677	71,540
Canada Emergency Business Account loan (note 2)	40,000	60,000
	2,399,776	246,977
Long-term debt (note 5)	-	2,157,310
	2,399,776	2,404,287
Fund balances		
Unrestricted		
Invested in tangible capital assets	1,326,955	1,298,015
Unrestricted	3,397	47,870
	1,330,352	1,345,885
Restricted:		
Endowments	10,418,148	10,102,145
Retained returns from investments	1,225,605	2,469,597
Other	1,122,980	1,225,208
	12,766,733	13,796,950
	14,097,085	15,142,835
	$ 16,496,861	$ 17,547,122

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, 2022, with comparative information for 2021

	Unrestricted	Restricted	**2022**	**2021**
Revenue				
Investment, net				
Investment income	$ 16,034	$ 435,663	$ 451,697	$ 543,110
Gains (loss) on investments (note 3)	-	(989,130)	(989,130)	1,062,174
Investment management fees	-	(65,218)	(65,218)	(65,070)
	16,034	(618,685)	(602,651)	1,540,214
Contributions				
Designated funds	-	316,003	316,003	529,168
Flow through	-	428,698	428,698	1,035,775
Grants and sponsorships	117,213	212,610	329,823	134,901
Other	29,582	42,180	71,762	92,905
	146,795	999,491	1,146,286	1,792,749
Administration fees				
Restricted funds	184,281	(184,281)	-	-
Other	488	-	488	4,256
	184,769	(184,281)	488	4,256
Rental (note 6)	344,502	-	344,502	250,579
Fundraising	945	-	945	-
Other	146	-	146	60,614
Total revenue	693,191	196,525	889,716	3,648,412
Expenses				
Grants paid	-	1,150,877	1,150,877	907,723
Administrative				
Amortization	1,705	-	1,705	407
Contract fees	23,495	-	23,495	17,585
Insurance	1,199	-	1,199	1,408
Licenses, dues and fees	31,712	-	31,712	21,690
Office and miscellaneous	10,296	-	10,296	10,180
Professional development	10,608	-	10,608	2,119
Professional fees	41,453	51,838	93,291	79,344
Public relations and communications	13,820	24,027	37,847	37,277
Rent	10,800	-	10,800	10,800
Salaries and wages (note 9)	318,891	-	318,891	288,549
Telephone	3,666	-	3,666	2,980
Travel	1,770	-	1,770	1,091
	469,415	75,865	545,280	473,430
Rental (note 6)	239,309	-	239,309	229,083
Total expenses	708,724	1,226,742	1,935,466	1,610,236
Excess of revenue over expenses	(15,533)	(1,030,217)	(1,045,750)	2,038,176
Fund balances, beginning of year	1,345,885	13,796,950	15,142,835	13,104,659
Fund balances, end of year	$ 1,330,352	$ 12,766,733	$ 14,097,085	$ 15,142,835

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

		2022		2021
Cash provided by (used in):				
Operating activities				
Cash receipts from contributions and other revenues		916,922		1,369,391
Cash receipts from endowment contributions		316,003		529,168
Cash receipts from investment revenue		513,290		650,158
Cash receipts from rental revenue		326,398		261,983
Cash paid for rental expenses		(107,647)		(118,378)
Cash paid for administrative, fundraising and other expenses		(540,210)		(444,180)
Cash paid for grants		(1,150,877)		(907,723)
Cash paid for interest		(71,119)		(56,634)
		202,760		1,283,785
Financing activities:				
Decrease (increase) in restricted cash and cash equivalents		237,543		(1,065,993)
Proceeds from long-term debt		-		505,000
Repayment of long-term debt		(93,173)		(56,165)
Canada Emergency Business Account loan proceeds		-		20,000
		144,370		(597,158)
Investing activities:				
Purchase of tangible capital assets		(17,070)		(722,022)
Net increase in investments		(322,779)		(79,403)
		(339,849)		(801,425)
Increase (decrease) in cash and cash equivalents		7,281		(114,798)
Cash and cash equivalents, beginning of year		183,611		298,409
Cash and cash equivalents, end of year	$	190,892	$	183,611
Non-cash transactions:				
Gift in kind donated	$	945.00	$	-

See accompanying notes to financial statements.

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 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.

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. Contributions received related to expenses for future periods or for which performance obligations have not been met are recorded in deferred revenue.

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 over the rental term provided the amounts are measurable and collection is reasonably assured.

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
Buildings	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 revenue 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. For the year ended December 31, 2022, government pandemic assistance includes Canada Emergency Business Account grant of $20,000 (2021 - $nil).

1. Significant accounting policies (continued):

(h) Financial instruments:

The Foundation measures cash and cash equivalents and investments at fair value and accounts receivable, security deposits, accounts payable and accrued liabilities, and long-term debt and other loans 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 received a non-interest bearing loan totaling $60,000 through the Canada Emergency Business Account ("CEBA") funded by the Government of Canada. If the loan is repaid by December 31, 2023, $20,000 of the loan will be forgiven. If the loan is not repaid by December 31, 2023, interest at a rate of 5% will be applied and the full amount will be repayable by December 31, 2025. As at December 31, 2022, management of the Society has determined that the loan will be repaid by December 31, 2023 and have recognized $20,000 of the forgivable portion of the loan in unrestricted other revenue (2021 - $nil).

3. Investments:

	Cost	Fair value 2022	Fair value 2021
Pooled investments	$ 10,223,254	$ 11,548,225	$ 12,340,899

Gains (losses) on investments for the year consisted of the following:

	2022	2021
Realized gains	$ 126,323	$ 167,862
Unrealized gains (losses)	(1,115,453)	894,312
	$ (989,130)	$ 1,062,174

4. Tangible capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	$ 687,220	$ -	$ 687,220	$ 687,220
Buildings	3,036,065	245,833	2,790,232	2,838,236
Furniture and equipment	8,072	3,199	4,873	996
Computer equipment	10,989	10,682	307	413
	$ 3,742,346	$ 259,714	$ 3,482,632	$ 3,526,865

5. Long-term debt:

		2022		2021
Term loan, bearing interest at 3.25%, repayable in blended monthly payments of $9,400 and maturing September 2023.	$	1,665,861	$	1,723,850
Term loan, bearing interest at 2.99%, repayable in blended monthly payments of $2,400 and maturing November 2026.		489,816		505,000
		2,155,677		2,228,850
Current portion		2,155,677		71,540
	$	-	$	2,157,310

The term loans are secured by the Foundation's land and buildings and an assignment of rents. The loans are subject to certain restrictive financial and non-financial covenants. As at December 31, 2022, the Foundation was not in compliance with one of these covenants. Accordingly, the term loan maturing November 2026 has been presented as a current liability.

Scheduled principal repayments on the term loans to maturity, provided repayment is not demanded as result of the covenant non-compliance, are as follows:

2023	$	1,680,208
2024		14,781
2025		15,230
2026		445,458
	$	2,155,677

6. Rental revenue and expenses:

		2022		2021
Revenue	$	344,502	$	250,579
Expenses:				
Administration		33,987		28,768
Amortization		60,543		54,071
Interest		71,119		56,634
Repairs and maintenance		43,728		62,241
Utilities		29,932		27,369
		239,309		229,083
Excess of revenue over expenses	$	105,193	$	21,496

7. Funds held in trust:

At December 31, 2022, the Foundation held trust funds totaling $nil (2021 - $107,167) 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.

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 2022.

(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. Changes in liquidity risk in the year ended December 31, 2022 consisted of non-compliance with financial covenants related to a term loan (note 5).

(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.

(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.

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.

For employees earning total annual remuneration of $75,000 or greater, the Foundation paid total remuneration of $106,121 (2021 - $104,040) to one (2021 - one) employee.