

Financial Statements of

**COMMUNITY FOUNDATION OF THE
SOUTH OKANAGAN SIMILKAMEEN**

Year ended December 31, 2017



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Community Foundation of the South Okanagan Similkameen, which comprise the statement of financial position as at December 31, 2017, the statements of revenue, expenses and fund balances, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Foundation of the South Okanagan Similkameen as at December 31, 2017, 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 (British Columbia), we report that, in our opinion, the accounting policies applied 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 year.

Comparative Information

The financial statements of the Community Foundation of the South Okanagan Similkameen as at December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on May 19, 2017.

A handwritten signature in black ink, appearing to read 'KPMG LLP'.

Chartered Professional Accountants

Kelowna, Canada

March 27, 2018

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 111,073	\$ 105,207
Restricted cash and cash equivalents	599,977	778,700
Goods and services tax recoverable	2,436	2,636
Deposits and prepaid expenses (note 7)	306,222	5,956
	<u>1,019,708</u>	<u>892,499</u>
Investments, measured at fair value (note 2)	9,565,246	9,228,561
Tangible capital assets (note 3)	1,347	1,989
	<u>\$ 10,586,301</u>	<u>\$ 10,123,049</u>

Liabilities and Fund Balances

Liabilities

Accounts payable and accrued liabilities \$ 21,493 \$ 17,522

Fund balances

Unrestricted

Invested in tangible capital assets	1,347	1,989
Unrestricted	<u>105,946</u>	<u>127,018</u>
	107,293	129,007

Restricted:

Endowments	8,010,062	7,900,493
Retained returns from investments	1,496,603	1,421,063
Other	<u>950,850</u>	<u>654,964</u>
	10,457,515	9,976,520
	<u>10,564,808</u>	<u>10,105,527</u>

Subsequent event (note 7)

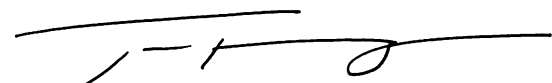
\$ 10,586,301 \$ 10,123,049

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, 2017, with comparative information for 2016

	Unrestricted	Restricted	2017	2016
Revenue				
Investment				
Investment income	\$ 23,103	\$ 560,500	\$ 583,603	\$ 320,756
Gain on investments (note 2)	-	97,248	97,248	405,245
Less: Investment management fees	-	(55,736)	(55,736)	(53,096)
	23,103	602,012	625,115	672,905
Contributions				
Designated funds	-	179,180	179,180	592,255
Flow through	-	455,378	455,378	223,843
Grants and sponsorships	73,520	32,549	106,069	89,773
Other	36,685	-	36,685	-
	110,205	667,107	777,312	905,871
Administration fees				
Charged on restricted funds	144,488	(144,488)	-	-
Other	5,620	-	5,620	4,751
	150,108	(144,488)	5,620	4,751
Fundraising	72,605	-	72,605	73,493
Total revenue	356,021	1,124,631	1,480,652	1,657,020
Expenses				
Grants paid	-	503,890	503,890	532,229
Administrative				
Amortization	642	-	642	1,021
Contract fees	-	29,902	29,902	44,253
Insurance	986	-	986	1,543
Licenses, dues and fees	12,827	-	12,827	4,957
Office and miscellaneous	12,550	6,751	19,301	15,759
Professional development	7,359	-	7,359	1,901
Professional fees	34,350	-	34,350	21,031
Public relations and communications	29,101	3,093	32,194	14,538
Rent	10,800	-	10,800	10,800
Salaries and wages (note 6)	207,361	-	207,361	127,894
Telephone	4,281	-	4,281	2,971
Travel	14,301	-	14,301	4,931
	334,558	39,746	374,304	251,599
Fundraising	43,177	-	43,177	40,699
Other				
Reclassification of endowment funds	-	100,000	100,000	-
Total expenses	377,735	643,636	1,021,371	824,527
Excess (deficiency) of revenue over expenses	(21,714)	480,995	459,281	832,493
Fund balances, beginning of year	129,007	9,976,520	10,105,527	9,273,034
Fund balances, end of year	\$ 107,293	\$ 10,457,515	\$ 10,564,808	\$ 10,105,527

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Cash receipts from fundraising	\$ 72,605	\$ 71,174
Cash receipts from contributions	287,267	223,240
Cash receipts from endowment contributions	179,180	552,778
Cash receipts from investments	630,735	707,994
Cash paid for administrative, fundraising and other expenses	(502,069)	(254,320)
Cash paid for grants	(503,890)	(532,229)
	163,828	768,637
Financing activities:		
Decrease (increase) in restricted cash and cash equivalents	178,723	(598,629)
Investing activities:		
Purchase of tangible capital assets	-	(1,396)
Proceeds from disposal of investments	534,443	506,489
Purchase of investments	(871,128)	(707,563)
	(336,685)	(202,470)
Increase (decrease) in cash and cash equivalents	5,866	(32,462)
Cash and cash equivalents, beginning of year	105,207	137,669
Cash and cash equivalents, end of year	\$ 111,073	\$ 105,207

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements

Year ended December 31, 2017

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.

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.

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, unrestricted investment income, unrestricted fundraising proceeds, administrative fees charged to restricted funds, administrative expenses and community grants.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(a) Fund accounting (continued):

(ii) Restricted

Restricted funds include endowment funds and other externally or internally restricted funds. Endowment fund represents funds that are permanently restricted either by the donor or internally by the Foundation; 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) Cash and cash equivalents:

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

(c) 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 on a declining balance basis using the following annual rates:

Asset	Rate
Furniture and equipment	20%
Computer equipment	55%

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(d) 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.

(e) 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.

(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 fair market value.

(g) Financial instruments:

The Foundation measures cash and investments at fair value and accounts payable and accrued liabilities at amortized cost. Changes in fair value of cash and investments are recognized in the statement of operations in the periods in which they arise.

(h) 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 expenditures during the reporting period. Actual results could differ from those estimates.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Investments:

	Cost	Fair Value 2017	Fair Value 2016
Pooled investments	\$ 8,515,974	\$ 9,565,246	\$ 9,228,561

Gain on investments for the year consisted of the following:

	2017	2016
Realized gains	\$ 90,668	\$ 31,009
Unrealized gains	6,580	374,236
	\$ 97,248	\$ 405,245

3. Tangible capital assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Furniture and equipment	\$ 2,457	\$ 1,424	\$ 1,033	\$ 1,291
Computer equipment	9,370	9,056	314	698
	\$ 11,827	\$ 10,480	\$ 1,347	\$ 1,989

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Funds held in trust:

At December 31, 2017, the Foundation held trust funds totaling \$1,047,378 (2016 - \$942,104) on behalf of other charitable organizations. These funds are neither an asset or a liability of the Foundation and, accordingly, are not reflected in the accompanying financial statements.

5. 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.

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.

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they fall 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.

(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.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements (continued)

Year ended December 31, 2017

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

(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 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.

(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.

6. 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 the fiscal year ending 2017, the Foundation paid total remuneration of \$82,380, to one employee for services of whom received total annual remuneration of \$75,000 or greater.

COMMUNITY FOUNDATION OF THE SOUTH OKANAGAN SIMILKAMEEN

Notes to Financial Statements (continued)

Year ended December 31, 2017

7. Subsequent event:

Subsequent to December 31, 2017, the Foundation purchased a commercial building, for total cash consideration of \$2,900,000. Payment was made through a cash payment of \$1,000,000 and a \$1,900,000 commercial mortgage. The cash payment was funded through donations from the community. A deposit on the purchase was made in December 2017.

The Foundation has purchased the building as a strategic investment to:

- (i) make local youth serving organizations more efficient by providing a collaborative environment for serving youth and
- (ii) earn a return on investment to supplement its core business of making grants to charities.

8. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.