



Financial Statements

Central Okanagan Foundation

August 31, 2009

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Auditors' report

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

T (250) 712-6800
(800) 661-4244 (Toll Free)
F (250) 712-6850
www.GrantThornton.ca

To the directors of
Central Okanagan Foundation

We have audited the balance sheet of Central Okanagan Foundation as at August 31, 2009 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's Directors. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Foundation's Directors, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at August 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Kelowna, BC

October 26, 2009

Grant Thornton LLP
Chartered accountants

Partners

Kevin Crookes, CA, CBV
Paul F.S. Gallo, CA
James R. Grant, MBA, CA
Bill McTavish, CGA, CA
Anne C. Postlewaite, CA
Martin Rutherford, CA
Dan Vass, CA
J. Kim Ward, CA, CFP
Bill Winters, CA, CFP

Central Okanagan Foundation

Balance sheet

August 31	2009	2008
Assets		
Current		
Cash - unrestricted	\$ 33,972	\$ 17,882
- restricted	-	257,726
Receivables	3,614	7,350
Accrued interest receivable	72,200	71,884
Prepaid expenses	4,937	5,369
Deferred fund development costs	-	255,383
	<u>114,723</u>	<u>615,594</u>
Portfolio investments		
Cash	213,568	337,160
Laddered bond portfolio	5,306,559	5,338,803
Managed accounts	8,834,496	7,946,516
	<u>14,354,623</u>	<u>13,622,479</u>
Interest in estates (Note 4)	365,000	120,000
Life insurance policies (Note 5)	56,569	53,167
Capital (Note 6)	9,442	12,110
	<u>14,785,634</u>	<u>13,807,756</u>
	<u>\$ 14,900,357</u>	<u>\$ 14,423,350</u>
Liabilities		
Current		
Payables and accruals	\$ 5,620	\$ 3,575
Undistributed allocations	34,170	67,148
Unearned revenue (Note 7)	29,528	30,624
	<u>69,318</u>	<u>101,347</u>
Net assets		
Endowment funds (Note 8)	14,134,236	13,737,838
Flow-through funds (Note 9)	66,426	30,634
Invested in capital assets	9,442	12,110
Project Build (Note 10)	155,447	-
Surplus in investment returns	38,015	358,424
Administration account	5,904	9,830
	<u>14,409,470</u>	<u>14,148,836</u>
Interest in estates (Note 4)	365,000	120,000
Interest in life insurance policies (Note 5)	56,569	53,167
	<u>14,831,039</u>	<u>14,322,003</u>
	<u>\$ 14,900,357</u>	<u>\$ 14,423,350</u>

Commitment (Note 14)

On behalf of the Board

_____ Director _____ Director

See accompanying notes to the financial statements

Central Okanagan Foundation

Statement of operations and changes in net assets

Year ended August 31

2009 2008

	Restricted				Unrestricted			
	Endowment funds	Flow-through funds	Invested in capital assets	Project Build	Investment returns and allocations	Administration		
Revenue								
Endowment contributions	\$ 374,007	\$ -	\$ -	\$ 607,135	\$ -	\$ -	\$ 981,142	\$ 6,850,745
Flow-through donations								
- General	-	223,598	-	-	-	-	223,598	185,980
- City of Kelowna grants	-	107,075	-	-	-	10,000	117,075	87,900
- District of Peachland grants	-	2,000	-	-	-	-	2,000	2,000
- Southern Interior Development Initiative Trust grant	-	-	-	-	-	-	-	25,000
- Bursary and scholarship	-	25,480	-	-	-	-	25,480	-
Investment returns								
- Interest and dividends	-	-	-	-	236,196	-	236,196	363,972
- Loss on equity portfolio	-	-	-	-	(389,549)	-	(389,549)	(151,001)
Donations								
- Annual report	-	-	-	-	-	5,400	5,400	4,150
Fundraising	-	-	-	-	-	43,610	43,610	105,918
Special projects	-	-	-	-	-	15,953	15,953	3,742
COFFY marketing grant	-	-	-	-	-	938	938	-
Other	-	-	826	-	-	38,522	39,348	7,600
In-kind contributions	22,391	-	-	-	-	43,114	65,505	231,257
	<u>396,398</u>	<u>358,153</u>	<u>826</u>	<u>607,135</u>	<u>(153,353)</u>	<u>157,537</u>	<u>1,366,696</u>	<u>7,717,263</u>
Transfers and allocations								
Administration fee (Note 11)	-	-	-	-	-	167,056	167,056	160,789
Allocation	-	-	-	-	-	1,335	1,335	24,704
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,391</u>	<u>168,391</u>	<u>185,493</u>
Total revenue, transfers and allocations	<u>396,398</u>	<u>358,153</u>	<u>826</u>	<u>607,135</u>	<u>(153,353)</u>	<u>325,928</u>	<u>1,535,087</u>	<u>7,902,756</u>
Expenditures								
Administration (Note 12)	-	-	-	-	-	337,454	337,454	358,216
Administration fee (Note 11)	-	-	-	-	167,056	-	167,056	160,789
Allocations	-	-	-	-	-	-	-	465,995
Amortization	-	-	3,494	-	-	-	3,494	3,365
Construction costs	-	-	-	451,688	-	-	451,688	-
Loss on disposal of capital assets	-	-	-	-	-	-	-	3,925
Specified gifts to registered charities	-	-	-	-	-	-	-	4,002,000
Flow-through funds (Note 13)	-	314,761	-	-	-	-	314,761	271,876
	<u>-</u>	<u>314,761</u>	<u>3,494</u>	<u>451,688</u>	<u>167,056</u>	<u>337,454</u>	<u>1,274,453</u>	<u>5,266,166</u>
Excess (deficiency) of revenue over expenditures, net for year	396,398	43,392	(2,668)	155,447	(320,409)	(11,526)	260,634	2,636,590
Net assets, beginning of year	13,737,838	30,634	12,110	-	358,424	9,830	14,148,836	11,512,246
Interfund transfers	<u>-</u>	<u>(7,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,600</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 14,134,236</u>	<u>\$ 66,426</u>	<u>\$ 9,442</u>	<u>\$ 155,447</u>	<u>\$ 38,015</u>	<u>\$ 5,904</u>	<u>\$ 14,409,470</u>	<u>\$ 14,148,836</u>

See accompanying notes to the financial statements

Central Okanagan Foundation

Statement of cash flows

Year ended August 31

2009

2008

Increase (decrease) in cash

Operating		
Net revenue for year	\$ 260,634	\$ 2,636,590
Adjustment for non-cash items		
Amortization	3,494	3,365
(Gain) loss on disposal of capital assets	(62)	3,925
In-kind contributions	(22,391)	(189,489)
Specified gifts	-	2,000
	<u>241,675</u>	<u>2,456,391</u>
Changes in non-cash operating working capital		
Receivables	3,420	4,459
Prepaid expenses	432	(506)
Deferred fund development costs	277,774	(67,742)
Investments, net	(732,144)	(2,190,532)
Payables and accruals	2,045	(5,275)
Undistributed allocations	(32,978)	(49,953)
Unearned revenue	(1,096)	30,624
	<u>(240,872)</u>	<u>177,466</u>
Investing		
Purchase of capital assets	(3,195)	(11,248)
Proceeds on sale of capital assets	2,431	-
	<u>(764)</u>	<u>(11,248)</u>
(Decrease) increase in cash	(241,636)	166,218
Cash, beginning of year	<u>275,608</u>	<u>109,390</u>
Cash, end of year	<u>\$ 33,972</u>	<u>\$ 275,608</u>
Cash comprises		
Unrestricted	\$ 33,972	\$ 17,882
Restricted	-	257,726
	<u>\$ 33,972</u>	<u>\$ 275,608</u>

See accompanying notes to the financial statements

Central Okanagan Foundation

Notes to the financial statements

August 31, 2009

1. Nature of organization

The Foundation is a society incorporated under the B.C. Society Act 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, is exempt from income taxes and may issue receipts to donors.

2. Summary of significant accounting policies

Amortization

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

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

Capital assets

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

Impairment of long-lived assets

Long-lived assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its fair value. Fair value is determined using an appropriate valuation technique such as a quoted price in an active market or the present value of expected undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(continued)

Central Okanagan Foundation

Notes to the financial statements

August 31, 2009

2. Summary of significant accounting policies (continued)

Revenue recognition

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

Restricted contributions are recognized as revenue when received in the appropriate restricted fund. Restricted contributions for which there is no corresponding restricted fund are accounted for using the deferred method and recognized as revenue 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.

Flow-through funds received from organizations or donors are distributed annually according to recommendations of the Foundation grant committees or as directed by the donor. These funds are therefore recognized as revenue and expenditures in the appropriate restricted fund upon allocation and distribution.

In-kind contributions are recorded at their fair market value when received.

Interest in estates

Capital bequests in favour of the Foundation, under probated wills, where the assets are awaiting distribution, or are subject to the rights of life tenant income beneficiaries only, are included as assets of the Foundation at estimated realizable value.

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.

Financial instruments

The Foundation's financial instruments consist of cash, receivables, accrued interest receivable, portfolio investments, interest in estates, payables and accruals and undistributed allocations. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(continued)

Central Okanagan Foundation

Notes to the financial statements

August 31, 2009

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

The classification and measurement of financial instruments is as follows:

- Cash – Held for trading, measured at fair value
- Receivables – Loans and receivables, measured at amortized cost
- Accrued interest receivable – Loans and receivables, measured at amortized cost
- Portfolio investments – laddered bonds – Held to maturity, measured at amortized cost
- Portfolio investments – managed accounts – Held for trading, measured at fair value
- Interest in estates – Loans and receivables, measured at amortized cost
- Payables and accruals – Other financial liabilities, measured at amortized cost
- Undistributed allocations – Other financial liabilities, measured at amortized cost

Use of estimates

Management has made estimates and assumptions that affect the amounts reported in preparing these financial statements. Actual results could differ from those estimates.

Outstanding pledges

Various contributors to the Foundation have pledged to contribute specified principal amounts within 5 years. These pledges outstanding, that total \$89,112 (2008 - \$85,057), will be recorded as received.

3. Change in accounting policies

General standards for financial statements presentation

Handbook Section 1400, *General Standards of Financial Statement Presentation*, was amended to include the requirements for assessing and disclosing an entity's ability to continue as a going concern from International Financial Reporting Standard IAS 1. This section is effective for fiscal years beginning on or after January 1, 2008. This new accounting standard had no impact on these financial statements.

Capital disclosures

The Society has adopted the provisions of CICA Handbook Section 1535, *Capital Disclosures*. This section requires enhanced quantitative disclosures about what is regarded as capital and disclosure of information with respect to the objectives, policies and processes used to manage capital. This disclosure is provided in Note 15 to these financial statements.

Central Okanagan Foundation

Notes to the financial statements

August 31, 2009

4. Interest in estates

As disclosed in Note 2, under certain conditions the Foundation's interest as a residual beneficiary in Estates is shown as an asset at estimated net realizable value. The Foundation's interest in estates is as follows:

	<u>2009</u>	<u>2008</u>
Elanor Morrisson	\$ 245,000	\$ -
Eveline Aynsley	115,000	115,000
John Patrick Moss	<u>5,000</u>	<u>5,000</u>
	<u>\$ 365,000</u>	<u>\$ 120,000</u>

In addition to the above, the Foundation has an interest in other Estates where the wills have been probated. However, any benefit accrued to the Foundation is contingent upon unpredictable future events.

5. 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 \$989,650 (2008 - \$989,650).

	<u>2009</u>	<u>2008</u>
Cash surrender value, beginning of year	\$ 53,167	\$ 53,063
Change in cash surrender value	<u>3,402</u>	<u>104</u>
Cash surrender value, end of year	<u>\$ 56,569</u>	<u>\$ 53,167</u>

Premiums paid during the year by the insured donors were \$43,114 (2008 - \$41,768) and are recognized as both revenue and expense in the Statement of operations and changes in net assets.

Central Okanagan Foundation

Notes to the financial statements

August 31, 2009

6. Capital assets		<u>2009</u>	<u>2008</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Computer hardware	\$ 7,977	\$ 2,644	\$ 5,333	\$ 6,565
Computer software	1,733	601	1,132	1,016
Furniture and equipment	16,221	13,244	2,977	4,529
	<u>\$ 25,931</u>	<u>\$ 16,489</u>	<u>\$ 9,442</u>	<u>\$ 12,110</u>

7. Unearned revenue

Unearned revenue relates to grants received from the Vancouver Foundation for the administration of two special projects. The projects for which these funds were received are as follows:

	<u>2009</u>	<u>2008</u>
Vital Signs – Exploring Opportunities for Piloting New Approaches in British Columbia	\$ 20,985	\$ 16,022
Accounting and Allocations – Partnering for Success	8,543	14,602
	<u>\$ 29,528</u>	<u>\$ 30,624</u>

8. 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 Directors for discretionary funds, and distributed in amounts determined annually by the Directors. For the current fiscal year the allocation rate was set at 0.0% (2008 – 4.0%).

9. 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>2009</u>	<u>2008</u>
City of Kelowna	\$ 15,688	\$ 13,700
District of Peachland	-	2,000
Southern Interior Development Initiative	-	12,500
Other	50,738	2,434
	<u>\$ 66,426</u>	<u>\$ 30,634</u>

Central Okanagan Foundation

Notes to the financial statements

August 31, 2009

10. Project Build

This balance consists of the net proceeds earned related to the Project Build fundraising project. Based on the contributors preference, these funds will be transferred to the endowment fund or the administration fund.

11. Administration fee

A Board approved administration fee of 1.2% to 1.5% of the average investment portfolio is used to help defray operating costs. This fee of 1.2% (2008 – 1.2%), together with the allocations of income from various funds and any applicable grants, donations and fund raising are recorded in the Administration Account with operating expenses being paid therefrom.

12. Administration	<u>2009</u>	<u>2008</u>
Annual report	\$ 11,253	\$ 6,593
Board and committee meetings	5,798	5,497
C.F.C. membership	2,791	1,211
Conferences and workshops	6,281	-
Fundraising	20,231	67,408
In-kind insurance premiums	43,114	41,768
Insurance	2,067	2,703
Office and printing	9,969	13,881
Postage	1,518	1,157
Professional fees	12,865	11,004
Publicity and promotion	4,105	36,767
Rent	14,169	12,322
Salaries and benefits	179,007	148,448
Special projects	15,774	3,742
Telephone	3,538	3,956
Youth in philanthropy (COFFY)	4,974	1,759
	<u>\$ 337,454</u>	<u>\$ 358,216</u>

Central Okanagan Foundation

Notes to the financial statements

August 31, 2009

13. Flow-through funds – expenditures

2009

2008

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

General

Abbeyfield Houses Society of Kelowna	\$	1,000	\$	-
BC SPCA – Kelowna Branch		10,000		-
Canadian National Junior Football League		1,000		-
Central Okanagan Bursary & Scholarship Society		1,375		529
Central Okanagan Child Development Association		9,000		3,000
Central Okanagan Emergency Shelter		1,000		6,360
Central Okanagan Elizabeth Fry Society		1,000		-
Central Okanagan Heritage Society		2,000		-
Central Okanagan Land Trust		2,000		-
Central Okanagan Parks & Wildlife Trust		-		2,000
City of Kelowna		1,500		-
Community Recreational Initiatives Society		1,000		-
Dawson Creek & District Hospital Foundation		-		50,000
District of Peachland		2,000		-
First Lutheran Church of Kelowna		33,499		-
Inn from the Cold – Kelowna		1,500		-
Kelowna & District Society for People in Motion		1,000		-
Kelowna Community Foodbank Society		2,500		-
Kelowna General Hospital Foundation		6,000		30,000
Kelowna Museums Society		1,000		-
Kiwanis Music Festival Society of Kelowna		1,000		-
National Society of Hope		-		1,000
Okanagan College Foundation		4,400		-
Okanagan Symphony Society		5,500		-
Partners in the Horn of Africa		20,000		-
Peachland Centennial		2,000		-
People in Motion		-		1,000
Salvation Army – Dawson Creek Corps.		-		25,000
Salvation Army – Kelowna Community Church		-		25,000
Silver Lake Forest Education Society		3,000		-
South Peace Senior Citizens Association		-		25,000
South Peace Society for the Hearing Impaired		-		10,000
St. Thomas University		-		17
UBC – Okanagan		3,000		140
University of British Columbia		1,950		-
United Way		-		5,000
		<u>119,224</u>		<u>184,046</u>

(continued)

Central Okanagan Foundation

Notes to the financial statements

August 31, 2009

13. Flow-through funds – expenditures (continued)	<u>2009</u>	<u>2008</u>
City of Kelowna		
Alzheimer Society of B.C.	\$ 3,150	\$ -
Brain Trust Canada Association	3,600	-
Bridge Youth and Family Services Society	14,400	-
Canadian Mental Health Association	2,858	-
Canadian Red Cross – B.C. Southern Region	2,610	-
Central Okanagan Elizabeth Fry Society	5,230	9,170
Central Okanagan Emergency Shelter Society	1,500	13,500
Central Okanagan Women’s Resource & Education Foundation	3,732	-
Community Against Sexual Exploitation of Youth	6,300	-
Compassionate Friends of Kelowna	2,160	-
Inn From The Cold	7,272	9,900
Interior Alzheimer Society	4,500	-
John Howard Society	-	295
Kelowna Community Food Bank	8,100	9,100
Kelowna Family Services Society	6,480	700
Kelowna Full Gospel Church Society	-	685
Kelowna Lifetime Networks Association	3,600	-
Living Positive Resource Centre	1,900	12,600
Making Connections Program – First United Church	-	250
New Opportunities for Women Canada Society	5,970	14,630
Okanagan Lifetime Networks Association	500	4,500
Okanagan Mobility Solutions Society	1,800	-
Resurrection Recovery Resources	-	500
Seniors Outreach Services Society	10,350	-
Tourette Syndrome Foundation of Canada	-	900
Western Institute for the Deaf and Hard of Hearing	4,500	-
YMCA-YWCA of the Central Okanagan	4,500	-
	<u>105,012</u>	<u>76,730</u>
Southern Interior Development Initiative Trust		
Community Recreational Initiatives Society	-	10,000
OK Public Market	12,500	-
	<u>12,500</u>	<u>-</u>
Transfer to field of interest grants	47,300	-
Transfer to bursaries	28,891	-
Transfer to undistributed allocations	1,834	-
Funds refunded	-	1,100
	<u>\$ 314,761</u>	<u>\$ 271,876</u>

Central Okanagan Foundation

Notes to the financial statements

August 31, 2009

14. Commitment

The Foundation has entered into an agreement to lease its premises until January 31, 2011. The annual rent of premises consists of a minimum rent plus signage. Minimum rent payable, net of recoveries, for premises and signage for each of the next two years is as follows:

2010	\$ 14,515
2011	\$ 6,048

15. Capital management

The capital structure of the Foundation consists of net assets invested in endowment funds, flow-through funds, invested in capital assets, Project Build funds, surplus in investment returns, administration account, interest in estates and interest in life insurance policies.

The primary objective of the Foundation's capital management is to provide adequate funding to ensure efficient delivery of its service activities relating to the distribution of funds to charities.

Net assets invested in endowment funds are endowments only the earnings of which is available for distribution to community organizations and charities. Contributed principal to the endowments funds are held in perpetuity and invested in accordance with the Foundation's investment policy.

Net assets invested in flow-through funds are funds intended for immediate use on specific projects.

Net assets invested in capital assets represents an amount of funds that are not available for other purposes because they have been invested in capital assets and are not readily accessible.

Net assets invested in Project Build funds are funds that upon contributors preference will be transferred to the endowment fund or the administration fund.

Surplus in investment returns and the administration account are funds available for future operations and are preserved so the Foundation can have financial flexibility as opportunities arise in the future.

Net assets invested in interest in estates and interest in life insurance policies are funds that will become available once a specified event happens.

Central Okanagan Foundation

Notes to the financial statements

August 31, 2009

16. Future accounting changes

Financial statement presentation by not-for-profit organizations

Handbook Section 4400, *Financial Statement Presentation by Not-for-profit Organizations*, has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenditures. The new standard is effective for the Foundation's year end August 31, 2010. The Foundation is currently assessing the impact of this new standard.

Capital assets held by not-for-profit organizations

Section 4430, *Capital Assets Held by Not-for-profit Organizations*, has been amended to provide additional guidance with respect to the appropriate use of the exemption from recognizing capital assets for smaller entities. The changes are effective for the Foundation's year end August 31, 2010. The Foundation is currently assessing the impact of this new standard.

Disclosure of allocated expenses by not-for-profit organizations

The new Section 4470, *Disclosure of Allocated Expenses for Not-for-profit Organizations*, establishes disclosure standards for not-for-profit organizations that choose to classify their expenditures by function and allocate expenditures from one function to another. The changes are effective for the Foundation's year end August 31, 2010. The Foundation is currently in compliance with this new standard.

17. Comparative figures

Certain of the comparative figures have been restated to conform to current year financial statement presentation.