

Community Foundation of the Kootenay Rockies
Financial Statements
December 31, 2019

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Independent Auditor's Report

To the Members of the Board of Community Foundation of the Kootenay Rockies

Qualified Opinion

We have audited the financial statements of Community Foundation of the Kootenay Rockies, which comprise the statement of financial position as at December 31, 2019, and the statements of operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Community Foundation of the Kootenay Rockies as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Basis for Qualified Opinion

In common with other non-profit organizations, the Foundation derives revenue from donations or donations in kind, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of donation revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses and net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (Continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants

Cranbrook, BC
June 23, 2020

**Community Foundation of the Kootenay Rockies
Statement of Financial Position**


December 31	2019	2018
Assets		
Current		
Cash (Note 2)	\$ 928,597	\$ 435,992
Accounts receivable and accrued interest	26,867	25,223
	955,464	461,215
Loans receivable (Note 3)	200,390	150,500
Investments, at market (Note 4)	2,615,516	2,286,767
	\$ 3,771,370	\$ 2,898,482

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued liabilities	\$ 8,933	\$ 8,556
Net assets		
Operating fund	62,632	60,950
Project and restricted fund	314,051	308,337
Endowment fund (Note 5)	3,385,754	2,520,639
	3,762,437	2,889,926
	\$ 3,771,370	\$ 2,898,482

On behalf of the Board:

 _____ Director

 _____ Director

Community Foundation of the Kootenay Rockies Statement of Operations and Changes in Net Assets

For the year ended December 31 2019 2018

	<i>Operating fund</i>	<i>Project and restricted fund</i>	<i>Endowment fund</i>	Total	Total
Revenues					
Contributions and donations	\$ 37,447	\$ 34,000	\$ 648,188	\$ 719,635	\$ 451,513
Miscellaneous	1,630	-	-	1,630	3,615
Realized investment income	11,847	-	111,859	123,706	105,623
Unrealized gain (loss) on investments	-	-	166,588	166,588	(113,249)
	50,924	34,000	926,635	1,011,559	447,502
Expenses					
Grants (Note 7)	-	28,000	24,902	52,902	28,206
Insurance	2,228	-	-	2,228	2,116
Meetings, travel and conferences	4,981	-	-	4,981	4,453
Office and miscellaneous	12,815	-	-	12,815	10,411
Professional fees	9,664	-	-	9,664	10,131
Promotion	3,181	-	-	3,181	6,431
Wages and benefits	53,277	-	-	53,277	64,028
	86,146	28,000	24,902	139,048	125,776
Excess of revenues over expenses	(35,222)	6,000	901,733	872,511	321,726
Transfers for administration	36,404	(286)	(36,118)	-	-
Transfers between funds	500	-	(500)	-	-
Net assets, beginning of year	60,950	308,337	2,520,639	2,889,926	2,568,200
Net assets, end of year	\$ 62,632	\$ 314,051	\$ 3,385,754	\$ 3,762,437	\$ 2,889,926

The accompanying notes are an integral part of these financial statements.

Community Foundation of the Kootenay Rockies Statement of Cash Flows

For the year ended December 31	2019	2018
Cash flows from operating activities		
Cash receipts from donors and others	\$ 721,877	\$ 454,979
Cash paid to employees, suppliers and others	<u>(139,169)</u>	<u>(126,779)</u>
	582,708	328,200
 Cash flows from investing activities		
Cash receipts on investments	121,948	102,409
(Investment in) repayment of loans receivable	(49,890)	98,798
Purchase of investments	<u>(162,161)</u>	<u>(270,101)</u>
	(90,103)	(68,894)
 Net increase in cash during the year	 492,605	 259,306
Cash, beginning of year	<u>435,992</u>	<u>176,686</u>
Cash, end of year	<u>\$ 928,597</u>	<u>\$ 435,992</u>

Community Foundation of the Kootenay Rockies

Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies

Nature of Organization The Foundation was incorporated as a non-profit Society with charitable status under the Canada Corporations Act on March 31, 2003 and is a not-for-profit organization under the Income Tax Act. The purpose of the Foundation is to benefit the whole community. It was mandated to serve the geographic area of City of Cranbrook, City of Fernie, District of Sparwood, District of Elkford, Tobacco Plains Indian Band, ?Aq'am Community, and Regional District of East Kootenay Electoral Area A, Area B and Area C.

Basis of Accounting The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Fund Accounting The organization follows the restricted fund method of accounting for contributions. Accordingly, resources are classified for accounting and financial reporting purposes into funds. These funds are held in accordance with either the objectives specified by the donors or with directives issued by the Board of Directors.

The *Operating Fund* reports resources available for the foundation's general operating and administrative activities.

The *Project and Restricted Fund* reports amounts restricted or designated for specific projects or purposes that are not operating or endowment in nature.

The *Endowment Fund* reports the net assets, revenues and expenses related to donations and bequests in which the principal is restricted and to be maintained by the foundation on a permanent basis.

Revenue Recognition Donations, grants and other revenue are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted amounts received for operating purposes in advance of revenue recognition are treated as deferred revenue.

Investment income includes dividend, interest, realized gains (losses), and the net change in unrealized gains (losses) for the year.

Community Foundation of the Kootenay Rockies

Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Contributed Materials and Services

Gifts in kind are reported at fair market value, when fair market value can be reasonably estimated. Gifts in kind are recorded at nominal values when fair value cannot be reasonably estimated. Volunteers contribute services to assist the Foundation in carrying out various activities. Because of the difficulty of determining their fair value, volunteer services are not recognized in the financial statements.

Financial Instruments

Financial instruments are recorded at fair value on initial recognition. The Foundation subsequently measures all of its financial instruments at cost or amortized cost, except for investments in equity instruments that are quoted in an active market. Equity instruments that are quoted in an active market are recorded at their fair value. Changes in fair value are recorded in the statement of operations in the period incurred. Transaction costs that are directly attributable to the acquisition of these investments are recognized in the statement of operations in the period incurred.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimate as additional information becomes available in the future and the impact will be recorded in the period when the difference becomes known.

2. Cash

Funds included in cash that are held and restricted for future endowment purposes as at December 31, 2019 are \$543,248 (2018 - \$79,959), and funds held and restricted for projects are \$314,051 (2018 - 308,337). The funds are held in Credit Union accounts earning interest at a rate of 2.75% as at December 31, 2019.

Community Foundation of the Kootenay Rockies Notes to Financial Statements

December 31, 2019

3. Loans Receivable

The Foundation has invested a portion of its permanently endowed funds with the Columbia Basin Trust Commercial Finance Corp. (CBT), via loans from the Foundation to CBT; these monies make up a portion of each of the following funds:

	Established	2019	2018
Fernie Community Fund	2018	\$ 55,000	\$ 50,000
Sparwood Community Fund	2018	89,890	50,000
Elkford Community Fund	2018	55,000	50,000
Operations Fund	2018	500	50
		\$ 200,390	\$ 150,050

The loans receivable bears interest at 5% per annum, payable at the end of each fiscal quarter, and is due on demand. The Foundation is exposed to credit risk resulting from the possibility that CBT defaults on their financial obligation, which would have a material impact on the Foundation. Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments. Management is of the opinion that the risk is not significant.

Community Foundation of the Kootenay Rockies Notes to Financial Statements

December 31, 2019

4. Investments, at Market

Under deed of gift agreements, the Vancouver Foundation holds the following permanently endowed investment funds, carried at fair value:

	Established	2019	2018
Casey and Corrine Hanemayer Fund	2006	\$ 883,219	\$ 821,128
Friends of Fort Steele Fund	2009	213,386	189,850
Cranbrook Endowment Fund	2004	138,800	128,730
Fernie Community Endowment Fund	2016	96,967	88,641
Sparwood Community Endowment Fund	2016	89,717	80,551
Symphony of the Kootenays Fund	2008	89,347	83,023
Seniors Fund	2016	74,834	61,774
Elkford Community Fund	2018	72,887	63,275
Operational Endowment Fund	2005	70,258	64,449
Children First Fund	2004	68,192	63,508
Niedermayer Family Fund	2012	67,432	60,133
Greg Fisher Community Fund	2018	53,605	50,000
Winter Games Legacy - Sports Fund	2009	52,541	48,653
Cranbrook History Centre Fund	2016	51,589	42,783
East Family Scholarship Fund	2018	51,243	47,797
Outdoor Recreation Fund	2017	47,246	33,844
East Kootenay Foundation for Health	2011	44,073	36,653
East Kootenay Community Credit Union Fund	2016	40,675	33,500
Casey and Corrine Hanemayer Health Fund	2006	35,405	32,915
Knights of Pythias Fund	2010	34,080	31,739
Pidoca Construction Memorial Scholarship Fund	2019	30,553	-
Cranbrook Public Library Fund	2016	29,543	26,960
Mark Mahovlic Memorial Scholarship Fund	2014	28,692	26,674
Environmental Fund	2011	23,148	21,558
Janice Regnier Fund	2018	21,442	20,000
Key City Gymnastics Fund	2017	20,369	17,167
Melodie Hull Fund for Mental Health	2016	19,724	18,369
Joyce Metcalfe Fund	2008	18,099	16,856
Winter Games Legacy - Arts Fund	2009	17,816	16,592
Hough Ingalls Fund for Animal Welfare	2015	15,935	14,703
Cranbrook Boys and Girls Club Fund	2017	13,063	11,903
Arts, Culture and Heritage Fund	2017	12,776	11,898
Northern BC Friends of Children Fund	2016	12,736	11,375
Cranbrook Community Theatre Fund	2019	11,760	-
Columbia Outdoor Blue Lake Fund	2019	11,338	-
Cranbrook Past & Present Teachers' Legacy Fund	2019	11,234	-
Cranbrook Chamber of Commerce Education Fund	2019	11,159	-
EKFH Roy and Annabel Maundrell Fund	2017	10,487	9,766
East Kootenay SPCA Fund	2019	10,146	-
Community Matters Legacy Fund	2019	10,000	-
		\$ 2,615,516	\$ 2,286,767

Community Foundation of the Kootenay Rockies Notes to Financial Statements

December 31, 2019

4. Investments, at Market, (continued)

The principal portion of the above investments are permanently invested in the Vancouver Foundation's pooled investment balanced fund and cannot be withdrawn by the Community Foundation of the Kootenay Rockies. Also, under the terms of the deed of gift agreement, all income earned on the principal invested, net of administration fees, must be paid to the Community Foundation of the Kootenay Rockies.

Market risk is the risk that changes in market prices will affect the Foundation's income. Accordingly the Foundation is exposed to market risk due to the effects of market fluctuations. The Foundation exercises market risk management of which the objective is to control market risk exposures within acceptable parameters while optimizing return on the investment. Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income investments.

5. Endowment Funds

	2019	2018
Principal amounts held in perpetuity	\$ 2,937,983	\$ 2,252,260
Cumulative unrealized gains	364,934	198,346
Income realized and available for distribution or reinvestment	71,066	56,185
Investment rebates designated for reinvestment	1,596	3,673
Other	10,175	10,175
	\$ 3,385,754	\$ 2,520,639

Community Foundation of the Kootenay Rockies Notes to Financial Statements

December 31, 2019

6. Grants

During the year the Foundation paid the following grants:

Blue Lake Forest Education Society	\$ 1,050
City of Fernie	500
Columbia Basin Environmental Education Network	500
Community Connections Society of Southeast BC	1,500
Cranbrook Bugle Band	398
Cranbrook Community Theatre Society	1,000
Cranbrook Curling Club	500
Cranbrook Farmers' Market Society	450
Cranbrook Multicultural Society	1,000
Cranbrook Pickleball Club	1,000
District of Elkford	5,000
District of Sparwood	3,500
East Kootenay Addictions Services Society	434
East Kootenay Climbing Association	450
East Kootenay Foundation for Health	5,517
East Kootenay SPCA	1,500
Elk River Watershed Alliance	1,000
Elk Valley Senior Housing Society	689
Elk Valley Society for Community Living	1,000
Fernie and District Arts Council	500
Fernie Pets Society	250
Fernie Public Library Association	5,000
Performing Arts BC Festivals Society	10,500
Senior Citizens Club of Fernie and District	1,000
Special Olympics British Columbia Society	1,013
Symphony of the Kootenays	1,961
The Board of Education School District No.5	2,750
The Salvation Army Kootenay Valley Community Church	640
United Way East Kootenay	800
University of Lethbridge	1,000
Young Life Canada	500
	\$ 52,902

7. Subsequent events

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. Specifically in relation to the Foundation is the impact that COVID-19 has had on the financial markets. The Foundation's investments in CBT Financial Corporation and the Vancouver Foundation are (see Note 3 and 4) measured at fair value and are reported in these financial statements at their values on December 31, 2019. As of March 31, 2020, these investment funds have experienced an approximate total loss of 9% in comparison to the December 31, 2019 market values. This may have an impact on the Foundation's ability or magnitude of providing grants in the future. The extent of any future impact on the Foundation's investments or operations as a result of COVID-19 is unknown.