

Comox Valley Community Foundation
Financial Statements
March 31, 2017

Comox Valley Community Foundation Contents

For the year ended March 31, 2017

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Independent Auditors' Report

To the Members of Comox Valley Community Foundation:

We have audited the accompanying financial statements of Comox Valley Community Foundation, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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 the auditors' 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, the auditor considers 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives a portion of its revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records and we were not able to determine whether adjustments might be necessary to donations revenue, excess of revenues over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible 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 Comox Valley Community Foundation as at March 31, 2017 and the results of its operations, changes in net assets 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 Society Act (British Columbia), we report that, in our opinion, the accounting principles have been applied on a consistent basis.

Nanaimo, British Columbia

September 12, 2017

MNP LLP

Chartered Professional Accountants

Comox Valley Community Foundation
Statement of Financial Position
As at March 31, 2017

	<i>Operating Fund</i>	<i>Endowment Fund</i>	2017	2016
Assets				
Current				
Cash	112,804	242,192	354,996	119,025
Accounts receivable	18,084	26,799	44,883	46,550
Prepaid expenses	1,245	-	1,245	1,500
Goods and Services Tax receivable	1,571	-	1,571	1,373
Interest receivable	-	15,137	15,137	14,962
	133,704	284,128	417,832	183,410
Investments (Note 3)	-	10,711,395	10,711,395	9,815,838
Life insurance policies (Note 4)	-	5,028	5,028	3,656
Tangible capital assets (Note 5)	658	-	658	-
Interfund balance	97,246	(97,246)	-	-
	231,608	10,903,305	11,134,913	10,002,904

Liabilities

Current

Accounts payable and accruals	13,623	-	13,623	78,864
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Vancouver Foundation endowment fund (Note 6)

Net Assets

Designated	-	1,101,864	1,101,864	849,567
Field of interest	-	1,359,584	1,359,584	1,053,777
Community	-	2,216,101	2,216,101	2,489,375
Donor advised	-	3,457,544	3,457,544	3,078,593
Scholarships and bursaries	-	2,401,620	2,401,620	2,043,218
Foundation directed	-	366,592	366,592	326,174
Unrestricted	217,985	-	217,985	83,336
	217,985	10,903,305	11,121,290	9,924,040
	231,608	10,903,305	11,134,913	10,002,904

Approved on behalf of the Board


 Director


 Director

The accompanying notes are an integral part of these financial statements

Comox Valley Community Foundation
Statement of Operations
For the year ended March 31, 2017

	<i>Operating Fund</i>	<i>Endowment Fund</i>	<i>2017</i>	<i>2016</i>
Revenue				
Grant revenue	13,500	-	13,500	-
Donations	-	377,872	377,872	5,677,815
Vancouver Foundation - Filberg <i>(Note 7)</i>	72,436	-	72,436	69,698
Gala revenue	67,551	-	67,551	47,150
Other	63	-	63	7
	153,550	377,872	531,422	5,794,670
Investments				
Investment income <i>(Note 8)</i>	46,367	394,911	441,278	139,348
Adjustment to fair market value	-	612,588	612,588	35,948
	46,367	1,007,499	1,053,866	175,296
Total revenue	199,917	1,385,371	1,585,288	5,969,966
Expenses				
Administrative	9,990	-	9,990	6,861
Amortization	658	-	658	-
Board expenses	343	-	343	536
Gala expenses	25,555	-	25,555	18,452
Insurance	1,255	-	1,255	1,220
Investment counselling fees <i>(Note 8)</i>	-	235	235	21,008
Miscellaneous	1,399	-	1,399	529
Office administration	52,829	-	52,829	24,095
Office rent	2,547	-	2,547	-
Professional development	2,259	-	2,259	-
Professional fees	12,176	-	12,176	11,093
Telephone	1,039	-	1,039	1,311
	129,166	235	129,401	85,105
Excess of revenue over expenses before grants paid	70,751	1,385,136	1,455,887	5,884,861
Grants paid	-	(258,637)	(258,637)	(216,803)
Excess of revenue over expenses	70,751	1,126,499	1,197,250	5,668,058

The accompanying notes are an integral part of these financial statements

Comox Valley Community Foundation

Statement of Changes in Net Assets

For the year ended March 31, 2017

	<i>Operating Fund</i>	<i>Endowment Fund</i>	<i>2017</i>	<i>2016</i>
Net assets, beginning of year	83,335	9,840,705	9,924,040	4,255,982
Excess of revenue over expenses	70,751	1,126,499	1,197,250	5,668,058
Transfer	8,952	(8,952)	-	-
Interfund administration fee	54,947	(54,947)	-	-
Net assets, end of year	217,985	10,903,305	11,121,290	9,924,040

The accompanying notes are an integral part of these financial statements

Comox Valley Community Foundation

Statement of Cash Flows

For the year ended March 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	1,197,250	5,668,058
Amortization	(658)	-
Fair market value adjustment on investments and life insurance policies	(612,588)	(35,948)
Loss on sale of investments	-	135,696
Non-cash donation	-	(5,420,369)
Income allocated to investments	(61,287)	(139,197)
Vancouver Foundation adjustment	(46,367)	-
	476,350	208,240
Changes in working capital accounts		
Accounts receivable	1,667	(6,918)
Goods and Services Tax receivable	(198)	147
Interest receivable	(175)	(412)
Prepaid expenses	255	(560)
Accounts payable and accruals	(18,874)	16,062
	459,025	216,559
Investing		
Purchase of investments	(223,054)	(16,015,488)
Sale of investments	-	15,592,038
	(223,054)	(423,450)
Increase (decrease) in cash resources	235,971	(206,891)
Cash resources, beginning of year	119,025	325,916
Cash resources, end of year	354,996	119,025

The accompanying notes are an integral part of these financial statements

Comox Valley Community Foundation

Notes to the Financial Statements

For the year ended March 31, 2017

1. Purpose of the Foundation

The purpose of the Comox Valley Community Foundation (the "Foundation") is to encourage and promote the establishment of endowment funds on behalf of the community so as to create a permanent source of income to be distributed annually for charitable activities primarily within the Comox Valley.

The Foundation is incorporated under the Federal Not-for-Profit Corporations Act and is a registered extra-provincial society under the Society Act of the Province of British Columbia.

The Foundation is also 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. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions, and maintains two funds: Operating Fund and Endowment Fund.

The Operating Fund reports the Foundation's revenue and expenses related to fundraising and administrative activities.

The Endowment Fund reports the Foundation's resources contributed for endowment, investment income earned on endowed contributions and grants paid using income earned on endowed contributions. Gains and losses on disposals of investments are reflected in the Endowment Fund.

Revenue recognition

Restricted donations are recognized as revenue of the appropriate restricted fund in the year received.

Unrestricted donations are recognized as revenue in the year received.

Gala revenue is recognized when received.

Unrestricted investment income earned on resources is recognized as revenue when earned. Other investment income is recognized as revenue when earned.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue and expenses in the periods in which they become known.

Financial instruments

The Foundation recognizes its financial instruments when the Foundation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada Handbook Section 3840 *Related Party Transactions*.

At initial recognition, the Foundation may irrevocably elect to subsequently measure any financial instrument at fair value. The Foundation has not made such an election during the year.

Comox Valley Community Foundation
Notes to the Financial Statements
For the year ended March 31, 2017

2. Significant accounting policies *(Continued from previous page)*

The Foundation subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenue over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment:

The Foundation assesses impairment of all of its financial assets measured at cost or amortized cost. The Foundation groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; no asset is individually significant. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments; in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Foundation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Foundation reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenue over expenses.

The Foundation reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenue over expenses in the year the reversal occurs.

Net assets

Included in net assets, the Foundation holds externally restricted funds including:

- Designated funds, which are established by other charitable organizations to ensure an ongoing source of support for their programs and operations;
- Field of Interest funds, which are established by donors to be paid as grants for a specific purpose in a particular area of charitable focus;
- Community (discretionary) funds which are established by donors who wish the Foundation to make disbursements based on current community needs in support of the Foundation's mandate;
- Donor advised funds, which are established to be paid as grants to other organizations as directed by the donors;
- Scholarships and bursaries funds, which are established by donors to benefit students in donor specified areas of education;
- Foundation directed funds, which are established to provide an ongoing source of funds for the Foundation's operating and administrative costs.

Tangible capital assets

Purchased capital assets acquired are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Computer equipment	50 %
Computer software	50 %

Comox Valley Community Foundation
Notes to the Financial Statements
For the year ended March 31, 2017

3. Investments

	2017	2016
Measured at fair value	8,674,378	7,815,838
Measured at amortized cost	2,037,017	2,000,000
	10,711,395	9,815,838

4. Life insurance policies

The Foundation has been given policies under which it is the owner and/or beneficiary.

The whole life policy is shown at its cash surrender value. The Foundation is committed to retain the insurance in force for the lifetime of the donor. The total coverage provided under the policy owned by the Foundation is \$20,000.

The term life policies have no cash surrender value. Two term life insurance policies are guaranteed at \$30,000 each until September 2019 and one term life insurance policy is guaranteed at \$16,000.

5. Tangible capital assets

	2017	2016
	<i>Cost</i>	<i>Accumulated amortization</i>
	<i>Net book value</i>	<i>Net book value</i>
Computer equipment	6,054	5,396
Computer software	526	526
	6,580	5,922

6. Vancouver Foundation endowment fund

In 1996 the Comox Valley Community Foundation established an endowment fund with the Vancouver Foundation. The original capital and any additions are held permanently by the Vancouver Foundation and are not recorded as an asset of the Comox Valley Community Foundation. Income from the fund is distributed at least annually to the Comox Valley Community Foundation for its charitable operations and purpose.

Current market value of this endowment fund is \$1,393,563 (2016 - \$1,291,726).

7. Vancouver Foundation - Filberg

The Foundation receives 10% of the earnings of the Robert and Florence Filberg Fund annually. This Fund is maintained by the Vancouver Foundation based on an agreement between the municipalities of Courtenay, Comox and Cumberland and the Vancouver Foundation.

Comox Valley Community Foundation

Notes to the Financial Statements

For the year ended March 31, 2017

8. Investment income

	2017	2016
Interest and dividend income	37,408	89,549
Loss on sale of investments	-	(135,696)
Vancouver Foundation Endowment fund income	50,844	46,298
Vancouver Foundation Transferrable fund income	306,659	139,197
Vancouver Foundation other income	46,367	-
	441,278	139,348
Investment counselling fees	(235)	(21,008)
	441,043	118,340

9. Financial instruments

The Foundation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Foundation is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Foundation to concentrations of credit risk include accounts receivable. The Foundation's maximum credit risk exposure is \$44,883 (2016 - \$46,550). The Foundation believes that there is no credit risk associated with its receivable from the Vancouver Foundation. There are no other accounts receivable from any one party that exceed 10% of the balance.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure on the interest-bearing investments by investing in a widely diversified portfolio with fixed and varying interest rates and maturity dates. The maximum amount of investments exposed to interest rate risk is \$2,037,017 (2016 - \$2,000,000).

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The maximum amount of investments exposed to other price risk is \$8,674,378 (2016 - \$7,815,838).