



Financial Statements

Central Okanagan Foundation

August 31, 2017

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Independent auditors' report

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To the directors of
Central Okanagan Foundation

We have audited the accompanying financial statements of Central Okanagan Foundation (“the Foundation”), which comprise the statement of financial position as at August 31, 2017, the statement of operations, statement of changes in net assets and statement of 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 Foundation’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 Foundation’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.

Basis for qualified opinion

In common with many non-profit organizations, the Foundation derives revenue from cash donations from the public, 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 of the Foundation and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses and cash flows from operations, for the years ended August 31, 2017 and 2016, current assets as at August 31, 2017 and 2016, and net assets as at September 1 and August 31, 2017 and 2016.

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 the Central Okanagan Foundation as at August 31, 2017, 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.

Report on other legal and regulatory requirements

As required by the Societies Act of British Columbia, we report that in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

Kelowna, Canada
November 20, 2017

Grant Thornton LLP
Chartered Professional Accountants

Central Okanagan Foundation

Statement of financial position

August 31

2017

2016

Assets

Current

Cash and cash equivalents	\$ 397,661	\$ 337,970
Receivables	5,018	7,916
Accrued interest receivable	107,810	94,157
Prepaid expenses	11,748	12,405
	<u>522,237</u>	<u>452,448</u>

Portfolio investments

Cash and cash equivalents	2,655,397	2,139,443
Laddered bond portfolio	7,757,960	7,696,329
Managed accounts at fair value	20,280,232	20,003,799
	<u>30,693,589</u>	<u>29,839,571</u>

Life insurance policies (Note 3)

26,016

30,667

Tangible capital assets (Note 4)

32,821

25,149

30,752,426

29,895,387

\$ 31,274,663

\$ 30,347,835

Liabilities

Current

Payables and accruals	\$ 20,568	\$ 15,356
Undistributed allocations	372,288	253,715
Grants payable (Note 5)	203,546	371,067
Unearned revenue (Note 6)	61,014	99,097
	<u>657,416</u>	<u>739,235</u>

Long-term grants payable (Note 5)

74,820

62,866

Net assets

Restricted to - Endowment funds (Note 7)	24,795,866	23,808,582
- Flow-through funds (Note 8)	1,886,927	1,240,772
- Invested in tangible capital assets	32,821	25,149
- Allocations reserve (Note 9)	2,500,417	1,884,296
Unrestricted - Impact fund	506,444	1,002,035
- Investment returns and allocations	793,936	1,554,233
	<u>30,516,411</u>	<u>29,515,067</u>

Interest in life insurance policies (Note 3)

26,016

30,667

30,542,427

29,545,734

\$ 31,274,663

\$ 30,347,835

Commitment (Note 14)

On behalf of the Board



Director



Director

Central Okanagan Foundation

Statement of operations

Year ended August 31

	Restricted				Unrestricted			2017 Total	2016 Total
	Endowment Funds	Flow- through funds	Invested in tangible capital assets	Allocations reserve	Impact Fund	Investment returns and allocations	Administration		
Revenue									
Endowment contributions	\$ 785,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 785,434	\$ 447,730
Flow-through donations									
- General	-	1,529,566	-	-	-	-	-	1,529,566	932,009
- City of Kelowna grants	-	155,523	-	-	-	-	19,700	175,223	127,000
- District of Peachland grants	-	2,000	-	-	-	-	-	2,000	2,000
- Bursary and scholarship	-	3,200	-	-	-	-	-	3,200	11,540
Investment returns									
- Interest and dividends	-	-	-	-	-	226,870	-	226,870	242,630
- Realized and unrealized gain on equity portfolio	-	-	-	-	-	1,280,729	-	1,280,729	2,093,435
Donations	-	-	-	-	72,674	-	24,184	96,858	13,191
Special projects (Note 6)	-	-	-	-	-	-	113,948	113,948	89,581
In-kind contributions									
- Annual report	-	-	-	-	-	-	8,500	8,500	9,500
- Insurance premiums	-	-	-	-	-	-	42,157	42,157	42,157
Administration fee (Note 11)	-	-	-	-	-	-	322,935	322,935	309,164
Gain on disposal of equipment	-	-	-	-	-	-	105	105	-
	<u>785,434</u>	<u>1,690,289</u>	<u>-</u>	<u>-</u>	<u>72,674</u>	<u>1,507,599</u>	<u>531,529</u>	<u>4,587,525</u>	<u>4,319,937</u>
Expenses									
Administration (Note 10)	-	-	-	-	-	-	692,009	692,009	599,713
Administration fee (Note 11)	-	-	-	-	-	322,935	-	322,935	309,164
Amortization	-	-	10,657	-	-	-	-	10,657	8,581
Distributions	-	-	-	-	196,573	1,109,571	-	1,306,144	914,332
Flow-through funds – expenses (Note 12)	-	1,066,792	-	-	-	-	-	1,066,792	436,249
Investment management fee	-	-	-	-	-	187,644	-	187,644	164,295
	<u>-</u>	<u>1,066,792</u>	<u>10,657</u>	<u>-</u>	<u>196,573</u>	<u>1,620,150</u>	<u>692,009</u>	<u>3,586,181</u>	<u>2,432,334</u>
Excess (deficiency) of revenue over expenses	<u>\$ 785,434</u>	<u>\$ 623,497</u>	<u>\$ (10,657)</u>	<u>\$ -</u>	<u>\$ (123,899)</u>	<u>\$ (112,551)</u>	<u>\$ (160,480)</u>	<u>\$ 1,001,344</u>	<u>\$ 1,887,603</u>

See accompanying notes to the financial statements

Central Okanagan Foundation

Statement of changes in net assets

Year ended August 31

	Restricted				Unrestricted			2017 Total	2016 Total
	Endowment Funds	Flow- through funds	Invested in tangible capital assets	Allocations reserve	Impact Fund	Investment returns and allocations	Administration		
Net assets, beginning of year	\$ 23,808,582	\$ 1,240,772	\$ 25,149	\$ 1,884,296	\$ 1,002,035	\$ 1,554,233	\$ -	\$ 29,515,067	\$ 27,627,464
Excess (deficiency) of revenue over expenses	785,434	623,497	(10,657)	-	(123,899)	(112,551)	(160,480)	1,001,344	1,887,603
Interfund transfers (Note 13)	201,850	22,658	18,329	616,121	(371,692)	(647,746)	160,480	-	-
Net assets, end of year	<u>\$ 24,795,866</u>	<u>\$ 1,886,927</u>	<u>\$ 32,821</u>	<u>\$ 2,500,417</u>	<u>\$ 506,444</u>	<u>\$ 793,936</u>	<u>\$ -</u>	<u>\$ 30,516,411</u>	<u>\$ 29,515,067</u>

Central Okanagan Foundation

Statement of cash flows

Year ended August 31

2017

2016

Increase (decrease) in cash and cash equivalents

Operating		
Excess of revenue over expenses	\$ 1,001,344	\$ 1,887,603
Adjustment for non-cash items		
Amortization	10,657	8,581
Gain on disposal of equipment	(105)	-
	<u>1,011,896</u>	<u>1,896,184</u>
Changes in non-cash operating working capital		
Receivables	2,898	(1,278)
Accrued interest receivable	(13,653)	4,876
Prepaid expenses	658	117
Payables and accruals	5,211	(6,054)
Undistributed allocations	118,573	(86,786)
Grants payable	(155,567)	12,433
Unearned revenue	(38,083)	(44,261)
	<u>931,933</u>	<u>1,775,231</u>
Investing		
Purchase of tangible capital assets	(18,724)	(9,533)
Proceeds on disposal of tangible capital assets	500	-
Investments, net	(854,018)	(1,641,043)
	<u>(872,242)</u>	<u>(1,650,576)</u>
Increase in cash and cash equivalents	59,691	124,655
Cash and cash equivalents, beginning of year	<u>337,970</u>	<u>213,315</u>
Cash and cash equivalents, end of year	<u>\$ 397,661</u>	<u>\$ 337,970</u>

Central Okanagan Foundation

Notes to the financial statements

August 31, 2017

1. Nature of organization

The Foundation is a society incorporated under the Society Act of British Columbia 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, it is exempt from income taxes and may issue receipts to donors.

2. Summary of significant accounting policies

Basis of presentation

The Foundation has prepared these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit-Organizations (“ASNPO”).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

Financial instruments

- **Initial measurement**

The Foundation's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. For financial instruments subsequently measured at fair value, transaction costs and financing fees are recognized in operations in the year in which they are incurred.

- **Subsequent measurement**

At each reporting date, the Foundation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. The Foundation's financial instruments measured at fair value are its managed accounts as they include equities quoted in an active market. All changes in fair value of the Foundation's managed accounts are recorded in the statement of operations. The Foundation uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, accrued interest receivable, laddered bond portfolio, payables and accruals, undistributed allocations and grants payable.

(continued)

Central Okanagan Foundation

Notes to the financial statements

August 31, 2017

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

- **Subsequent measurement** (continued)

For financial assets measured at cost or amortized cost, the Foundation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Foundation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Tangible capital assets and amortization

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

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

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

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 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.

Undistributed allocations

Undistributed allocations represent amounts approved by the Board of Directors that have not yet been distributed.

(continued)

Central Okanagan Foundation

Notes to the financial statements

August 31, 2017

2. Summary of significant accounting policies (continued)

Grants payable

Grants payable are recorded when authorized for payment by the Board. At August 31, 2017, there were a number of grants which had been approved by the Board but not yet paid. Grants, which have been approved by the Board and are not payable until after fiscal year 2017, have been recorded as long-term grants payable.

Revenue recognition

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

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

Investment returns that are not externally restricted are recognized when they are earned in the statement of operations. Investment returns that are externally restricted and must be added to the resources held for endowment are recognized as direct increases or decreases in net assets in the endowment fund. Other externally restricted investment returns are recognized in the statement of operations, in unearned revenue or in net assets, depending on the nature of restriction imposed.

Contributions for endowment are recognized as revenue in the Endowment Fund.

Bequests are recognized as revenue when received.

Flow-through funds received from organizations or donors are distributed annually according to recommendations of the Foundation grant committee or as recommended by the donor. These funds are therefore recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured and as an expense when allocated.

Volunteers and other local businesses contribute significant services and other gifts to assist the Foundation. If determinable, in-kind contributions are recorded at their fair market value when received.

(continued)

Central Okanagan Foundation

Notes to the financial statements

August 31, 2017

2. Summary of significant accounting policies (continued)

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.

Outstanding pledges

Various contributors to the Foundation have pledged to contribute specified principal amounts within five years. These outstanding pledges, that total \$34,362 (2016 - \$28,407), are recorded as received as collectability is not reasonably assured.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each year end date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are recorded in the statement of operations in the year they become known. Items subject to significant management estimates include allowance for doubtful accounts and estimated useful life and related amortization rates of tangible capital assets.

3. 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 \$958,500 (2016 - \$1,024,500).

	<u>2017</u>		<u>2016</u>
Cash surrender value, beginning of year	\$ 30,667	\$	35,571
Change in cash surrender value	1,152		1,203
Cashed out policies	<u>(5,803)</u>		<u>(6,107)</u>
Cash surrender value, end of year	<u>\$ 26,016</u>	\$	<u>30,667</u>

Premiums paid during the year by the insured donors were \$42,157 (2016 - \$42,157) and are recognized as both revenue and expense in the statement of operations.

Central Okanagan Foundation

Notes to the financial statements

August 31, 2017

4. Tangible capital assets			<u>2017</u>	<u>2016</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Computer hardware	\$ 23,423	\$ 17,168	\$ 6,255	\$ 4,971
Computer software	21,785	11,957	9,828	13,838
Furniture and equipment	28,721	12,877	15,844	6,340
Leasehold improvements	993	99	894	-
	<u>\$ 74,922</u>	<u>\$ 42,101</u>	<u>\$ 32,821</u>	<u>\$ 25,149</u>

5. Grants payable

Grants payable consists of the following:

	<u>2017</u>	<u>2016</u>
Total grants payable	\$ 278,366	\$ 433,933
Less: current portion	(203,546)	(371,067)
	<u>\$ 74,820</u>	<u>\$ 62,866</u>

Grants payable are expected to be paid as follows:

2018	\$ 203,546
2019	<u>74,820</u>
	<u>\$ 278,366</u>

6. Unearned revenue

Unearned revenue relates to grants received in the current year that will be used during future years. The unearned revenue for the year is as follows.

	<u>2017</u>	<u>2016</u>
Homelessness Partnering Strategy		
Deferred revenue opening balance	\$ 99,097	\$ 143,358
Funding received/receivable	453,243	365,356
Recognized special projects revenue	(113,948)	(89,581)
Sub-project costs	<u>(377,378)</u>	<u>(320,036)</u>
Total unearned revenue	<u>\$ 61,014</u>	<u>\$ 99,097</u>

(continued)

Central Okanagan Foundation

Notes to the financial statements

August 31, 2017

6. Unearned revenue (continued)

Effective June 4, 2012, the Foundation partnered with Human Resources and Skills Development Canada through a Homelessness Partnering Strategy (HPS) program which ran from June 2012 to March 31, 2015. As of April 1, 2015, the Foundation obtained a new five year contract that runs from April 1, 2015 to March 2019. The HPS promotes strategic partnerships and structures, including housing solutions and supports, to assist homeless persons and those at risk of becoming homeless in moving toward self-sufficiency.

7. 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 Foundation's Directors for discretionary funds, and distributed in amounts determined annually by the Foundation's Directors. For the current fiscal year the allocation rate was set at 4.5% (2016 – 3.5%).

8. 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>2017</u>	<u>2016</u>
City of Kelowna	\$ 2,992	\$ 36,576
Okanagan Rail Trail Initiative	1,066,000	585,534
Other	<u>817,935</u>	<u>618,662</u>
	<u>\$ 1,886,927</u>	<u>\$ 1,240,772</u>

9. Allocation reserve

In 2012, the Board of Directors established an internally restricted allocations reserve. This reserve is intended to provide funding for allocations in those years where investment returns are less than the 3.5% allocations goal set by the Board. This reserve is not available for unrestricted purposes without approval of the Board of Directors. It is the Foundation's objective to accumulate a balance in the reserve representing an estimate of three years of allocation distributions. As directed by the Board of Directors, contributions to the fund may be made from investment earnings in excess of 3.5% and transfers from other funds. Income earned on the reserve fund will be added to the investment returns and allocations fund.

Central Okanagan Foundation

Notes to the financial statements

August 31, 2017

10. Administration

	HPS			2017	2016
	Designated communities	Aboriginal homelessness	General	Total	Total
Annual report	\$ -	\$ -	\$ 10,834	\$ 10,834	\$ 8,489
Board and committee meetings	-	-	3,656	3,656	1,805
C.F.C. membership	-	-	8,577	8,577	8,316
Conferences and workshops	-	-	27,976	27,976	8,892
Fundraising	-	-	-	-	4,257
In-kind insurance premiums	-	-	42,157	42,157	42,157
Insurance	-	-	1,883	1,883	6,271
Office and printing	3,357	839	22,744	26,940	20,366
Postage	-	-	3,281	3,281	667
Professional fees	476	119	44,788	45,383	43,471
Publicity and promotion	600	150	25,734	26,484	19,090
Rent	1,580	395	40,937	42,912	24,388
Salaries and benefits	68,518	17,129	348,106	433,753	396,844
Special projects	-	-	9,275	9,275	8,538
Telephone	-	-	8,619	8,619	5,876
Youth in philanthropy (COFFY)	-	-	279	279	286
	<u>\$ 74,531</u>	<u>\$ 18,632</u>	<u>\$ 598,846</u>	<u>\$ 692,009</u>	<u>\$ 599,713</u>

11. Administration fee

A Board approved administration fee of 1.2% (2016 – 1.2%) of the average investment portfolio is used to help defray operating costs. This fee 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 from there.

In addition, a Board approved administration fee of 1.2% (2016 – 1.2%) is being charged on donations made directly to the Foundation for the Okanagan Rail Trail Initiative to help defray operating costs associated with this initiative. This fee is recorded in the flow-through fund.

Central Okanagan Foundation

Notes to the financial statements

August 31, 2017

12. Flow-through funds – expenses

	<u>2017</u>	<u>2016</u>
A summary of the flow-through funds distributed is as follows:		
General	\$ 858,731	\$ 331,980
City of Kelowna		
Brain Trust Canada Association	300	2,700
Bridge Youth and Family Services Society	1,000	-
Canadian Mental Health Association	6,500	6,610
Canadian Red Cross – B.C. Southern Region	-	501
Central Okanagan Elizabeth Fry Society	-	10,500
Central Okanagan Emergency Shelter Society	6,000	-
Elevation Outdoor Experimental Program Association	5,140	-
Hands in Service Canada	22,250	11,250
Inn from the Cold	-	8,578
John Howard Society of the Central and South Okanagan	13,300	-
Karris Support Society	15,461	-
Kelowna Child Care Society	1,000	-
Kelowna Community Food Bank Society	800	239
Kelowna Community Resources Society	1,843	16,587
Kelowna Family Services Centre Society	500	4,500
Kelowna Gospel Mission Society	1,000	-
Kelowna & District Safety Council	10,000	-
Kelowna & District S.H.A.R.E. Society	825	7,425
Kelowna & District Society for People in Motion	13,000	1,093
Ki-Low-Na Friendship Society	25,000	-
Mamas for Mamas	15,000	-
Living Positive Resource Centre, Okanagan	340	3,060
New Opportunities for Women Canada Society	25,800	7,956
Okanagan Tree Fruit Project	10,000	7,650
Pathways Abilities Society	6,048	-
Project Literacy Kelowna Society	5,500	1,000
Seniors Outreach Services Society	-	500
	<u>186,607</u>	<u>90,149</u>
Bursaries	<u>21,454</u>	<u>14,120</u>
	\$ 1,066,792	\$ 436,249

Central Okanagan Foundation

Notes to the financial statements

August 31, 2017

13. Interfund transfers

Interfund transfers between funds are reported on the statement of changes in net assets. For the year ended August 31, 2017, transfers were as follows:

Endowment Funds	Flow-through fund	Invested in tangible capital assets	Allocations reserve	Impact fund	Investment returns and allocations	Administration
\$ -	\$ -	\$ -	\$ -	\$ (150,000)	\$ 150,000	\$ -
-	-	-	-	(105,114)	-	105,114
182,832	-	-	-	(182,832)	-	-
-	22,658	-	-	-	(22,658)	-
-	-	-	616,121	-	(616,121)	-
-	-	18,329	-	-	(18,329)	-
-	-	-	-	28,266	(28,266)	-
19,018	-	-	-	-	(19,018)	-
-	-	-	-	-	(55,366)	55,366
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,988</u>	<u>(37,988)</u>	<u>-</u>
\$ 201,850	\$ 22,658	\$ 18,329	\$ 616,121	\$ (371,692)	\$ (647,746)	\$ 160,480

14. Commitment

During the year, the Foundation entered into a new lease agreement to lease its premises until March 1, 2022. Minimum lease payments are \$59,125 per year.

15. Related party transactions

Included in various revenue line items are contributions totalling \$6,462 (2016 - \$12,370) from directors and staff of the Foundation.

Transactions with related parties are recorded at the exchange amount, the amount of consideration agreed to between the related parties.

Central Okanagan Foundation

Notes to the financial statements

August 31, 2017

16. Financial instruments risks

Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest risk and other price risk. The Foundation is mainly exposed to interest rate and other price risk.

- **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk with respect to investments in bonds.

- **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 factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk on its managed accounts as these include investments in equities quoted in an active market.

17. British Columbia Societies Act

On November 28, 2016 the new British Columbia Societies Act came into effect. Included in the new Act is a requirement to disclose the remuneration paid to all directors, the ten highest paid employees, and all contractors who were paid at least \$75,000 annually. The Society had one individual that falls within this disclosure requirement, the Executive Director, who has an annual remuneration of approximately \$92,000 for the year ended August 31, 2017.
