
VANCITY COMMUNITY FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017



INDEPENDENT AUDITORS' REPORT

To the Members of Vancity Community Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Vancity Community Foundation ("the Foundation"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vancity Community Foundation as at December 31, 2017, and the results of its operations and 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 of British Columbia, we report that, in our opinion, the Foundation's consolidated financial statements have been prepared following Canadian accounting standards for not-for-profit organizations applied on a consistent basis.

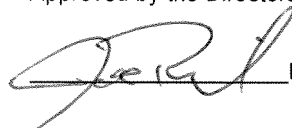
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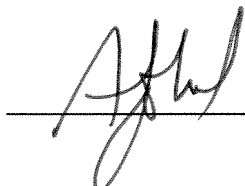
Chartered Professional Accountants
Vancouver, B.C.
May 16, 2018

**VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017**

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 989,992	\$ 1,205,840
Accounts receivable	917,489	323,150
Interest receivable	102,309	154,996
Grants receivable	102,019	64,604
GST receivable	94,458	-
Investment in carbon offsets (Note 2)	222,317	261,809
Donated property (Note 3)	2,100,000	-
Restricted investment (Note 4)	1,000,000	-
	<u>5,528,584</u>	<u>2,010,399</u>
RESTRICTED CASH (Note 5)	4,762,594	3,570,298
INVESTMENTS (Note 4)	3,105,807	3,296,584
RESTRICTED INVESTMENTS (Note 4)	45,551,680	45,143,954
PREPAID LEASE (Note 6)	2,408,308	1,689,392
LOANS RECEIVABLE (Note 7)	850,000	380,000
ART COLLECTION (Note 8)	32,550	32,550
	<u>\$ 62,239,523</u>	<u>\$ 56,123,177</u>
LIABILITIES		
CURRENT LIABILITIES		
Demand loan (Note 9)	\$ 1,836,094	\$ -
Accounts payable and accrued liabilities	1,904,399	385,665
Government remittances payable	5,191	4,334
GST payable	-	36,677
Security deposits	70,516	-
Grants payable	25,000	9,000
	<u>3,841,200</u>	<u>435,676</u>
SUBSEQUENT EVENTS (Notes 3 & 6)		
COMMITMENTS (Note 6)		
CONTINGENT LIABILITY (Note 13)		
FUND BALANCES		
UNRESTRICTED	6,205,578	6,098,156
RESTRICTED - FLOW THROUGH	5,410,672	4,213,965
RESTRICTED - DONOR ADVISED	49,487,524	43,385,481
RESTRICTED - MAIN STREET PROJECT	(2,705,451)	1,989,899
	<u>58,398,323</u>	<u>55,687,501</u>
	<u>\$ 62,239,523</u>	<u>\$ 56,123,177</u>

Approved by the Directors

 Director

 Director

**VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Restricted - Flow Through	Restricted - Donor Advised	Restricted - Main Street Project	2017	2016
Fund balances, beginning of year	\$ 6,098,156	\$ 4,213,965	\$ 43,385,481	\$ 1,989,899	\$ 55,687,501	\$ 54,863,318
Excess (deficiency) of revenue over disbursements	(692,294)	1,196,707	6,901,759	(4,695,350)	2,710,822	824,183
Interfund transfers (Note 11)	799,716	-	(799,716)	-	-	-
Fund balances, end of year	\$ 6,205,578	\$ 5,410,672	\$ 49,487,524	\$ (2,705,451)	\$ 58,398,323	\$ 55,687,501

**VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Restricted - Flow Through	Restricted - Donor Advised	Restricted - Main Street Project	2017	2016
Revenue	\$ 2,302,102	\$ 4,595,911	\$ 6,227,134	\$ 1,009,989	\$ 14,135,136	\$ 8,008,985
Contributions (Notes 3 & 6)	426,627	308,988	864,635	(10,647)	1,589,603	1,381,191
Investment income (loss) (Notes 2 & 10)	6,514	91,559	-	-	98,073	9,397
Community development lending interest Programs	442,530	-	-	-	442,530	692,930
Unrealized change in market value of investments	104,025	-	2,502,385	-	2,606,410	1,721,645
Write-down of donated property (Note 3)	-	-	(386,574)	-	(386,574)	-
	3,281,798	4,996,458	9,207,580	999,342	18,485,178	11,814,148
Administrative and program expenses						
Board governance	13,435	-	-	30	13,465	9,641
Charitable programs	6,885	-	2,500	-	9,385	-
Conferences	13,224	-	-	-	13,224	49,925
Insurance	-	-	-	27,136	27,136	21,566
Investment management fees	33,500	131	153,896	23,394	210,921	182,719
Main Street Project (Note 6)	-	-	-	5,486,007	5,486,007	-
Marketing	69,181	-	-	1,007	70,188	94,182
Meetings	36,291	4,022	-	1,878	42,191	27,187
Memberships	6,990	-	-	6,883	13,873	13,218
Miscellaneous	1,429	-	6,031	-	7,460	8,411
Professional fees	695,566	90,239	-	134,715	920,520	545,624
Publications	31,444	-	-	-	31,444	34,366
Research and training	14,399	-	-	-	14,399	10,075
Salaries and related benefits (Note 12)	2,182,950	-	-	-	2,182,950	1,970,026
Special events	77,021	-	-	621	77,642	209,025
Supplies	21,166	-	-	11,624	32,790	21,216
Travel and accommodation	50,826	-	-	522	51,348	51,209
Utilities	10,478	-	-	875	11,353	4,405
Website and IT	112,637	-	-	-	112,637	42,491
	3,377,422	94,392	162,427	5,694,692	9,328,933	3,295,286
Net revenue before grant disbursements	(95,624)	4,902,066	9,045,153	(4,695,350)	9,156,245	8,518,862
Grant disbursements	(596,670)	(3,705,359)	(2,143,394)	-	(6,445,423)	(7,694,679)
Excess (deficiency) of revenue over disbursements	\$ (692,294)	\$ 1,196,707	\$ 6,901,759	\$ (4,695,350)	\$ 2,710,822	\$ 824,183

**VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
Cash from (used in):		
Operating activities		
Excess of revenue over disbursements	\$ 2,710,822	\$ 824,183
Items not involving cash		
Unrealized change in market value of investments	(2,606,410)	(1,721,645)
Donated property	(2,486,574)	-
Write-down of donated property	386,574	-
Art collection	-	(32,550)
	<u>(1,995,588)</u>	<u>(930,012)</u>
Change in non-cash working capital items		
Accounts receivable	(594,339)	(323,150)
Interest receivable	52,687	18,580
Grants receivable	(37,415)	33,541
GST receivable	(94,458)	46,556
Accounts payable and accrued liabilities	1,518,734	325,346
Government remittances payable	857	4,334
GST payable	(36,677)	36,677
Security deposits	70,516	-
Grants payable	16,000	(845,375)
	<u>(1,099,683)</u>	<u>(1,633,503)</u>
Investing activities		
Loans receivable	(470,000)	1,020,000
Investments, net	1,389,461	1,303,978
Investment in carbon offsets	39,492	(28,613)
	<u>958,953</u>	<u>2,295,365</u>
Financing activities		
Prepaid lease	(718,916)	(384,895)
Restricted cash	(1,192,296)	895,058
Demand loan	1,836,094	-
Loan payable	-	(1,014,994)
	<u>(75,118)</u>	<u>(504,831)</u>
(Decrease) increase in cash and cash equivalents	(215,848)	157,031
Cash and cash equivalents, beginning of year	<u>1,205,840</u>	<u>1,048,809</u>
Cash and cash equivalents, end of year	\$ 989,992	\$ 1,205,840

NON-CASH INVESTING ACTIVITY (NOTE 3)

**VANCITY COMMUNITY FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Purpose of Foundation

The Vancity Community Foundation Group (the "Foundation") consists of the Vancity Community Foundation (the "VCF") and Greater Vancouver Community Assistance Foundation (the "GVCAF").

The VCF was incorporated in 1989 under the Society Act of British Columbia. The VCF is a registered charity under the Income Tax Act (Canada) and is accordingly exempt from income taxes. The purpose of the VCF is to fund, facilitate, promote and carry out activities and programs which are beneficial to the community. In addition to the traditional grant-making activity of community foundations, the VCF is also engaged in community development lending which may be funded from restricted contributions.

The GVCAF was incorporated in 1993 under the Society Act of British Columbia. The GVCAF is a not-for-profit organization under the Income Tax Act (Canada) and is accordingly exempt from income taxes. The purpose of the GVCAF is to carry out innovative activities and provide support for initiatives which benefit the community. The members of the GVCAF are the directors of the VCF.

1. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") under Part III of the CPA Canada Handbook - Accounting and include the accounts of the VCF and the GVCAF. Financial statements prepared in accordance with ASNPO are also in accordance with Canadian generally accepted accounting principles ("GAAP").

These consolidated financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

(a) Basis of presentation

The Foundation presents its consolidated financial statements using fund accounting. The purpose of each fund is explained as follows:

(i) Unrestricted Fund

This fund contains all funds not externally or internally restricted.

(ii) Restricted - Flow Through Fund

This fund contains funds externally restricted by donors regarding timing and use of those funds, primarily for use within the current period, or as allocated for the GVCAF.

(iii) Restricted - Donor Advised Fund

This fund contains funds externally restricted through specific deeds established with donors, and primarily to be held as long-term funding including some specific provisions for capital encroachment based on parameters as established in the deed.

(iv) Restricted - Main Street Project

This fund contains funds externally restricted by donors for use toward the Main Street Project (Note 6).

**VANCITY COMMUNITY FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Summary of significant accounting policies, continued

(b) Revenue recognition

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

Unrestricted contributions

Unrestricted contributions are recognized as revenue of the Unrestricted fund in the year received or receivable if the amount receivable can be reasonably estimated and collection is reasonably assured.

Restricted contributions

Flow Through fund contributions are recognized as revenue of the Restricted - Flow Through fund once the amount receivable can be reasonably estimated and collection is reasonably assured.

Donor Advised fund contributions are recognized as revenue of the Restricted - Donor Advised fund once the amount receivable can be reasonably estimated and collection is reasonably assured.

Main Street Project fund contributions are recognized as revenue of the Restricted - Main Street Project once the amount receivable can be reasonably estimated and collection is reasonably assured.

Investment income

Investment income is recorded as it is earned in the fund in which it relates.

(c) Financial instruments

Measurement

The Foundation's financial instruments consist of cash and cash equivalents, accounts receivable, interest receivable, grants receivable, restricted cash, investments, loans receivable, demand loan, accounts payable and grants payable. The Foundation initially measures all of its financial assets and liabilities at fair value. The Foundation subsequently measures all of its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. The Foundation has also elected to measure its investment in fixed income securities at fair value. Changes in fair value of equity instruments and fixed income securities carried at fair value are recognized in the consolidated statement of operations.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in the consolidated statement of operations. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the consolidated statement of operations in the period in which it is determined.

Transaction costs

Transaction costs that are directly attributable to the origination, issuance or assumption of a financial instrument that is subsequently measured at amortized cost are assigned to those financial instruments. All other transaction costs are recognized in the consolidated statement of operations in the period incurred.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and money market investments with original maturities of three months or less and which are readily convertible into cash.

**VANCITY COMMUNITY FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Summary of significant accounting policies, continued

(e) Capital assets

Capital assets are not amortized until they are put in use.

(f) Disposal of long-lived assets

The Foundation holds a long lived asset held for disposal in the form of donated property. The gifted property is presented separately on the consolidated statement of financial position and is measured at fair market value.

The GVCAF holds 24,650 tonnes of verified emissions reductions ("VERs") intended for sale. The VERs are presented separately on the consolidated statement of financial position and are accounted for using the cost method.

(g) Repayable grants

The GVCAF provides support to some organizations involved in planning community development projects by disbursing dollars which may be accompanied by promissory notes with low interest. Repayment is only expected under certain conditions (generally to be refinanced through future loans for larger scale activities based on feasibility) and no additional penalties are assessed if the notes are not repaid. The GVCAF has recorded full allowance for impairment on these repayable grants. Such impairment loss is recorded as part of the grant disbursements.

(h) Art collection

The Foundation holds a collection (the "Collection") of works of art for the Main Street Project. The Collection is presented as an asset measured at fair market value. The cost of additions to the Foundation's works of art is charged as an expense in the year of acquisition. Donated works of art are recognized in the consolidated financial statements if a value can be determined.

(i) Contributed services

The Foundation receives various contributed services. As the fair market value of these contributed services cannot be reasonably measured they are not recognized in these consolidated financial statements.

(j) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenue and expenses as at the end of or during the reporting period. Management believes that the estimates used are reasonable and prudent, however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of accounts receivable, loans receivable, grants receivable, carbon offsets and amounts recorded as accrued liabilities.

2. Investment in carbon offsets

The GVCAF has entered into a brokerage agreement for the sale of VERs. Included in investment income of the Restricted Flow-Through fund is a \$62,140 (2016 - \$67,873) gain from the sale of VERs during the year.

**VANCITY COMMUNITY FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

3. Donated property

In December 2017, the Foundation was gifted real property located at 2252 Panorama Drive, North Vancouver. The donor requested the Foundation sell the real property and use the proceeds of the sale to set up a new Donor Advised Fund. The donated real property was appraised at \$2,500,000 and listed on the market for sale.

The property was sold in March 2018 for proceeds of \$2,100,000. A write-down of the real property has been recognized in the amount of \$386,574 in the consolidated statement of operations.

4. Investments

	December 31, 2017		December 31, 2016	
	Market Value	Cost	Market Value	Cost
Term deposits	\$ 1,051,720	\$ 1,050,000	\$ 2,550,000	\$ 2,550,000
Marketable equity securities	28,361,539	19,940,139	25,935,499	18,186,403
Mutual funds	3,207,733	1,755,668	3,443,057	2,095,011
Government and corporate bonds	15,476,685	15,430,271	14,556,303	14,250,942
Investments at fair value	48,097,677	38,176,078	46,484,859	37,082,356
Community development lending	499,415	499,415	514,126	514,126
Impact equity, at cost	1,060,395	1,060,395	1,441,553	1,441,553
	\$ 49,657,487	\$ 39,735,888	\$ 48,440,538	\$ 39,038,035

Included in investments are short-term restricted investments of \$1,000,000 (2016 - \$Nil), long-term investments of \$3,105,807 (2016 - \$3,296,584) and long-term restricted investments of \$45,551,680 (2016 - \$45,143,954). All investments are ethically screened. The Foundation's investment policies require that any bonds purchased will be DBRS R-1 or higher, no more than 10% shall be invested in any one corporation and no more than 35% will be placed within one industry.

Impact equity consists of:

- (a) investment in a Private Equity Venture Capital Fund which invests in private companies achieving social or environmental impacts;
- (b) shares of an individual private business which represents a long-term ownership stake. There are options associated with the shares through which the benefit may either transfer to another local charitable organization (for the VCF owned shares) or to a group of employees (for the GVCAF owned shares);
- (c) investor units in a Limited Partnership which invests in mixed use real estate development to transform community.

These impact equity investments are not publicly traded and fair market value is not readily determinable. The investments are carried at cost.

5. Restricted cash

Restricted cash consists of the following:

	2017	2016
Restricted Cash - Donor Advised	\$ 2,153,290	\$ 1,563,406
Restricted Cash - GVCAF	2,609,303	2,006,892
	\$ 4,762,594	\$ 3,570,298

**VANCITY COMMUNITY FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

6. Main Street Project

During 2015, VCF entered into four agreements with the City of Vancouver (the "City"); a construction project management agreement to develop the 312-324 Main Street property into a Centre for Economic and Social Innovation (the "Centre"), a prepaid lease agreement to lease the 2nd floor of the Centre once construction is complete, a property management agreement, and a programming services agreement.

Under the construction project management agreement, VCF is responsible for all aspects of the construction and the City retains ownership and control of the Centre. Accordingly, VCF is accounting for the funding it receives and disbursements made in relation to the project as the Main Street Project on its consolidated statement of operations.

The City and VCF have valued the services provided by VCF outlined in the construction project management agreement at \$292,500. This amount will be applied as part of the total payment for the rent payable as described in the prepaid lease agreement below. The City is to reimburse VCF for costs associated with the development of the Centre to a maximum of \$4,850,000. Any costs over and above the amount reimbursed by the City are the responsibility of VCF.

Under the property management agreement, VCF will serve as property manager of the Centre over a 15 year term commencing on the first day of the term of the 2nd floor lease, which includes property management and leasing duties. The City and VCF have valued the services provided by VCF outlined in the property management agreement at \$703,200. This amount will be applied as part of the total payment for the rent payable as described in the prepaid lease agreement below. VCF is responsible for the operating and maintenance costs of the Centre as outlined in the property management agreement.

Under the programming services agreement, VCF is responsible to provide the services as outlined in the programming services agreement over a 15 year term commencing on the first day of the term of the 2nd floor lease. The City and VCF have valued the services provided by VCF outlined in the programming services agreement at \$679,900. This amount will be applied as part of the total payment for the rent payable as described in the prepaid lease agreement below.

The term of the prepaid lease agreement is for a period of 15 years commencing upon completion of construction. The prepaid lease agreement stipulates for total rent (calculated at present value in the amount of \$3,348,900) to be paid by:

- (a) a minimum \$1,700,000 capital contribution toward the capital cost upgrades to the Centre;
- (b) \$292,500 in construction project management;
- (c) \$703,200 in property management services; and
- (d) \$679,900 in programming services.

VCF paid construction project management costs and capital cost upgrades to the Centre recorded on the consolidated statement of financial position as a prepaid lease as follows:

	2017	2016
2017	\$ 718,916	\$ -
2016	384,895	384,895
2015	1,304,497	1,304,497
	\$ 2,408,308	\$ 1,689,392

The total anticipated cost of the development is \$22,830,750. Pursuant to the agreement with the City and based on actual expenditures noted above and funding sources that have been secured by VCF, VCF's remaining commitment for the project during fiscal years 2018 and 2019 is approximately \$14,200,000.

Subsequent to year end, the Foundation received contributions of \$3,900,000 from the Province of BC - Ministry of Tourism, Art and Culture, \$2,700,000 from Vancouver City Savings Credit Union, \$950,000 from the City, \$250,000 from Heritage Canada and \$200,000 from Vancouver Coastal Health for the Centre. During fiscal year 2018, VCF expects to incur expenses of \$10,200,000 related to the Centre. The Centre is anticipated to be completed in 2019.

VANCITY COMMUNITY FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

7. Loans receivable

The loans receivable balance consists of multiple program-related investment loans.

The program-related loans were made to registered charities to implement organizational changes and to develop new revenue generating programs. The loans were allocated from existing Restricted - Donor Advised funds.

The loans receivable are due on demand and non-interest bearing for a term of five years, maturing between 2021 and 2022. No specified terms of repayment have been outlined. Full repayment is due either on maturity, or on demand by the Foundation, as the two registered charities increase their capacity to make payments.

8. Art collection

The Foundation's art collection comprises original art work from Canadian artists. The Foundation's collection was acquired in 2016 by way of gift for use in the Main Street Project (Note 6). Acquisitions in the year total \$Nil (2016 - \$32,550). During the year there were no expenditures and no sales.

9. Demand loan

On April 25, 2017, the Foundation obtained a \$2,000,000 operating demand loan from Vancouver City Savings Credit Union ("Vancity") for the purpose of assisting with tenant improvements to the Main Street Project. The loan was obtained on a 12-month term with interest calculated and payable monthly at a rate of Vancity Prime plus 1%. The balance drawn at December 31, 2017 was \$1,836,094 (2016 - \$Nil).

The loan is secured as follows:

- a) general security agreement, constituting a first ranking interest in all property of VCF;
- b) general security agreement, constituting a first ranking interest in all property of GVCAF; and an
- c) assignment of GVCAF securities and deposits in the amount of \$2,000,000.

The agreement governing the demand loan is subject to a debt service coverage ratio equal to or less than 1.1. As at December 31, 2017, the Foundation was in compliance with the covenant. Subsequent to year end, the demand loan was repaid.

10. Investment income

	<u>2017</u>	<u>2016</u>
Dividend income	\$ 591,631	\$ 782,402
Interest earned, net	500,857	498,037
Other investment income, net	497,115	100,752
	<u>\$ 1,589,603</u>	<u>\$ 1,381,191</u>

VANCITY COMMUNITY FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

11. Interfund transfers

Interfund transfers are enacted by resolutions passed by the Foundation's board of directors and presented in the consolidated statement of changes in fund balances. The Restricted Donor Advised fund transferred funds to the Unrestricted fund in the amount of \$799,716 (2016 - \$437,115) which relate to administrative fees paid in the amount of \$657,442 and grants funding paid in the amount of \$142,274 on the Unrestricted funds' behalf.

12. Salaries and related benefits

Salaries and benefits expense for the year includes eight employees that each earned over \$75,000, for a total of \$886,100 (2016 - eight employees, for a total of \$825,800).

13. Related party transactions

- (a) Vancouver City Savings Credit Union ("Vancity") appoints the board members to the Foundation's board and provides funding to ensure that the Foundation can meet its funding criteria. Vancity provides 23.9% (2016 - 34.7%) of the Foundation's total revenue. In addition, Vancity Investment Management Ltd. is a subsidiary of Vancity.
- (b) The Foundation has a \$2,000,000 operating demand loan from Vancity (Note 9) of which the balance drawn at December 31, 2017 was \$1,836,094 (2016 - \$Nil).
- (c) The Foundation has an agency agreement with Vancity for the Foundation's investment portfolio management. Fees for these services are computed on the market value of the investments. During the year, the Foundation paid fees to Vancity Investment Management Ltd. of \$162,106 (2016 - \$144,322) and to Vancity of \$1,037 (2016 - \$796). The Foundation also paid Vancity \$33,189 (2016 - \$Nil) for various amounts relating to operating expenses and \$33,473 (2016 - \$Nil) for interest charges.
- (d) The Foundation received donations from Vancity of \$960,341 (2016 - \$843,630) which were allocated between the Unrestricted and Restricted funds. The Foundation received donations from Vancity of \$2,475,302 (2016 - \$2,659,986) which were allocated to the grant programs. The Foundation received program contributions from Vancity of \$138,300 (2016 - \$251,500) which were allocated to the Unrestricted fund for the Social Enterprise and the Enterprise Non-Profits programs. The Foundation received contributions from Vancity of \$942,250 (2016 - \$689,000) which were allocated to the Restricted - Flow Through fund, for programs carried on by the GVCAF.
- (e) During the year, the Foundation entered into a Funding Agreement (the "Agreement") with Vancity. Under this Agreement, Vancity provided a \$4M contribution directly to the construction contractors of the Main Street Project on behalf of the Foundation. As a result, the Foundation may be obligated to repay the \$4M contribution to Vancity in 2018.

**VANCITY COMMUNITY FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

14. Financial instruments risks

The Foundation's financial instruments are described in Note 1(c). In management's opinion, the Foundation is not exposed to significant currency, credit, liquidity, interest rate, market or other price risks arising from its financial instruments, except as explained in the following paragraphs. In addition, the Foundation is not exposed to any material concentrations of risk and there have been no changes in risk exposures from the prior year.

The carrying amount of financial assets measured at amortized cost is \$14,141,846 as at December 31, 2017 (2016 - \$9,638,618). The carrying amount of financial assets measured at fair value is \$48,097,677 as at December 31, 2017 (2016 - \$46,484,859).

Risks affecting the Foundation's financial instruments are as follows:

(a) Credit risk

The Foundation is exposed to credit risk with respect to uncertainties as to timing and collectibility on the outstanding loans made for the purpose of community development. Given the mandate of the Foundation, this credit risk is an inherent risk of operations. The Foundation, when possible, obtains security on the loans and has established an allowance on the balance for possible future losses. Additional cash requirements are met with the use of an available credit facility. This facility is structured as a demand loan secured by assets of the Foundation (Note 9).

(b) Market risk

Market risk is the potential for financial loss to the Foundation from changes in the values of its financial instruments due to changes in interest rates, currency exchange rates, or equity prices. The investments of the Foundation are subject to normal market fluctuations and to the risk inherent in investment in capital markets.

(c) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises primarily from the Foundation's investment in interest bearing financial instruments. The value of fixed income securities will generally rise when interest rates fall and decrease when interest rates rise.

The Company also has a floating rate revolving demand facility debt which is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in the lender's prime rate. The interest rate on the revolving demand facility is disclosed in Note 9.

Changes in interest rates may also affect the value of equity securities.

(d) Currency risk

Currency risk is the risk that the value of the financial instruments denominated in non-Canadian currencies will fluctuate due to changes in foreign exchange rates. The Foundation is exposed to currency risk on its investment in US and global equity securities.

(e) Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet a demand for cash or fund its obligations as they come due. The Foundation is exposed to liquidity risk on its demand loan.

(f) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices. The Foundation is exposed to equity price risk on its investments in equity securities.

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14. Financial instruments risks, continued

The Foundation actively manages market risk through its investment policy that outlines the objectives, constraints and parameters related to its investment activities. The Investment, Finance and Audit Committee and management regularly review the Foundation's investments to ensure all activities adhere to the investment policy.

15. Comparative amounts

Certain figures for 2016 have been reclassified to ensure comparability with the presentation format adopted for the current period. These reclassifications did not have any effect on the Foundation's previously reported excess of revenue over disbursements, and total assets, liabilities or fund balances.