VANCITY COMMUNITY FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

MANNING ELLIOTT
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INDEPENDENT AUDITORS' REPORT

To the Members of Vancity Community Foundation

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Vancity Community Foundation (the "Foundation"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of changes in fund balances, operations and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, 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 Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated 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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 18 in the consolidated financial statements which indicates that the Foundation's consolidated financial statements for the year ended December 31, 2017, presented for comparative purposes have been restated. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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INDEPENDENT AUDITORS' REPORT

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements. 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 consolidated 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 auditors' report to the related disclosures in the consolidated 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 auditors' 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

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INDEPENDENT AUDITORS' REPORT

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Societies Act, 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 with the prior year.

Manning Elliott LLP

Chartered Professional Accountants
Vancouver, British Columbia
May 27, 2019

VANCITY COMMUNITY FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

		2018		2017
ASSETS				
CURRENT				
Cash and cash equivalents	$	3,051,735	$	989,992
Accounts receivable		990,602		917,489
Interest receivable		21,225		102,309
Grants receivable		2,010,000		102,019
GST receivable		164,051		94,458
Current portion of loans receivable *(Notes 8, 18)*		385,486		-
Investment in carbon offsets *(Note 3)*		181,397		222,317
Donated property *(Note 4)*		-		2,100,000
Restricted investments *(Note 5)*		799,146		1,000,000
Current portion of prepaid lease *(Note 7)*		132,060		-
		7,735,702		5,528,584
RESTRICTED CASH *(Note 6)*		7,422,526		4,762,594
INVESTMENTS *(Note 5)*		2,509,078		3,105,807
RESTRICTED INVESTMENTS *(Note 5)*		43,207,550		45,551,680
PREPAID LEASE *(Note 7)*		2,222,959		2,408,308
LOANS RECEIVABLE *(Notes 8, 18)*		4,371,513		3,571,999
ART COLLECTION *(Note 9)*		32,550		32,550
CAPITAL ASSETS *(Note 10)*		959,449		-
	$	68,461,327	$	64,961,522
LIABILITIES				
CURRENT				
Demand loan *(Note 11)*	$	1,460,893	$	1,836,094
Accounts payable and accrued liabilities		1,572,043		1,904,399
Government remittances payable		5,913		5,191
Security deposits		79,590		70,516
Deferred rent		23,882		-
Grants payable		105,000		25,000
Current portion of deferred contributions		1,269,391		-
		4,516,712		3,841,200
DEFERRED CONTRIBUTIONS		2,833,333		-
		7,350,045		3,841,200
FUND BALANCES				
UNRESTRICTED		5,791,661		6,205,578
RESTRICTED - FLOW THROUGH *(Note 18)*		12,929,174		8,132,671
RESTRICTED - DONOR ADVISED		48,413,112		49,487,524
RESTRICTED - 312 MAIN STREET - VCF		(4,992,506)		(2,705,451)
RESTRICTED - 312 MAIN STREET - CITY OF VANCOUVER		(1,030,159)		-
		61,111,282		61,120,322
	$	68,461,327	$	64,961,522

SUBSEQUENT EVENTS *(Notes 7, 17)*
COMMITMENTS *(Note 7)*
CONTINGENT LIABILITY *(Note 15)*

Approved on behalf of the Board

_______________ *Director* _______________ *Director*

VANCITY COMMUNITY FOUNDATION

CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Unrestricted	Restricted – Flow Through	Restricted - Donor Advised	Restricted – 312 Main Street VCF	Restricted – 312 Main Street City of Vancouver	**2018**	2017
FUND BALANCES, BEGINNING OF YEAR, AS PREVIOUSLY STATED	$ 6,205,578	$ 5,410,672	$ 49,487,524	$ (2,705,451)	$ -	$ 58,398,323	$ 55,687,501
Retrospective restatement *(Note 18)*	-	2,721,999	-	-	-	2,721,999	2,462,485
Restated fund balances, beginning of year	6,205,578	8,132,671	49,487,524	(2,705,451)	-	61,120,322	58,149,986
(Deficiency) excess of revenues over disbursements for the year	(1,041,522)	4,796,503	(446,807)	(2,287,055)	(1,030,159)	(9,040)	2,970,336
Interfund transfers *(Note 13)*	627,605	-	(627,605)	-	-	-	-
FUND BALANCES, END OF YEAR	$ 5,791,661	$ 12,929,174	$ 48,413,112	$ (4,992,506)	$ (1,030,159)	$ 61,111,282	$ 61,120,322

VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Unrestricted	Restricted – Flow Through	Restricted - Donor Advised	Restricted – 312 Main Street VCF	Restricted – 312 Main Street City of Vancouver	**2018**	2017
REVENUE							
Community development lending interest	$ 65,224	$ -	$ -	$ -	$ -	$ 65,224	$ 98,073
Contributions *(Notes 4, 7)*	2,590,701	6,939,667	3,901,591	4,725,525	-	18,157,484	14,135,136
Investment income *(Notes 3, 12)*	237,201	64,438	6,533,435	37,392	1,114	6,873,580	1,589,603
Programs	818,463	-	-	322	-	818,785	442,530
Property and program management income *(Note 7)*	-	-	-	126,299	-	126,299	-
Rental income	-	-	-	147,205	354,007	501,212	-
Unrealized change in market value of investments	(314,091)	-	(7,204,073)	-	-	(7,518,164)	2,606,410
Write-down of donated property *(Note 4)*	-	-	-	-	-	-	(386,574)
	3,397,498	7,004,105	3,230,953	5,036,743	355,121	19,024,420	18,485,178
ADMINISTRATIVE AND PROGRAM EXPENSES							
Amortization of capital assets	-	-	-	106,774	-	106,774	-
Bad debts (*Notes 8, 15, 18)*	-	226,018	600,000	-	-	826,018	770,486
Board governance	5,183	-	-	45	-	5,228	13,465
Building expenses (recovery) *(Note 7)*	-	-	-	(300,950)	762,368	461,418	-
Charitable programs	6,721	-	-	3,556	-	10,277	9,385
Conferences	30,382	14,659	-	-	-	45,041	13,224
Insurance	-	-	-	58,298	38,470	96,768	27,136
Interest and bank charges	-	-	-	51,286	985	52,271	23,394
Investment management fees	106,394	-	162,676	-	-	269,070	187,527
312 Main Street project *(Note 7)*	-	-	-	6,692,616	-	6,692,616	5,486,007
Marketing	49,020	-	-	-	21,139	70,159	70,188
Meetings	55,632	-	-	4,264	-	59,896	42,191
Memberships	8,683	-	-	8,677	-	17,360	13,873
Miscellaneous	14,120	-	71,922	-	-	86,042	7,460
Professional fees	723,065	33,010	-	255,405	31,927	1,043,407	920,520
Publications	22,248	-	-	500	-	22,748	31,444
Rent	-	-	-	236,349	-	236,349	-
Research and training	25,798	-	-	4,153	-	29,951	14,399
Salaries and related benefits (*Note 14)*	2,310,623	-	-	184,513	379,521	2,874,657	2,182,950
Special events	104,715	-	-	1,281	-	105,996	77,642
Supplies	3,685	-	-	2,676	-	6,361	32,790
Travel and accommodation	33,266	-	-	5,829	-	39,095	51,348
Utilities	14,158	-	-	3,827	150,870	168,855	11,353
Website and IT	100,474	-	-	4,699	-	105,173	112,637
	3,614,167	273,687	834,598	7,323,798	1,385,280	13,431,530	10,099,419
NET (DECIFIENCY) REVENUE BEFORE GRANT DISBURSEMENTS	(216,669)	6,730,418	2,396,355	(2,287,055)	(1,030,159)	5,592,890	8,385,759
GRANT DISBURSEMENTS *(Note 18)*	(824,853)	(1,933,915)	(2,843,162)	-	-	(5,601,930)	(5,415,423)
(DEFICIENCY) EXCESS OF REVENUE OVER DISBURSEMENTS FOR THE YEAR	$ (1,041,522)	$ 4,796,503	$ (446,807)	$ (2,287,055)	$ (1,030,159)	$ (9,040)	$ 2,970,336

VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over disbursements for the year	**$ (9,040)**	$ 2,970,336
Items not affecting cash:		
Amortization of capital assets	**106,774**	-
Amortization of prepaid lease	**110,050**	-
Bad debts *(Note 18)*	**600,000**	770,486
Unrealized change in market value of investments	**7,518,164**	(2,606,410)
Donation of held for sale property *(Note 4)*	**-**	(2,486,574)
Write-down of donated property	**-**	386,574
	8,325,948	(965,588)
Changes in non-cash working capital:		
Accounts receivable	**(73,113)**	(594,339)
Interest receivable	**81,084**	52,687
Grants receivable	**(1,907,981)**	(37,415)
GST receivable	**(69,593)**	(94,458)
Accounts payable and accrued liabilities	**(332,357)**	1,518,734
Government remittances payable	**722**	857
GST payable	**-**	(36,677)
Security deposits	**9,074**	70,516
Deferred rent	**23,882**	-
Grants payable	**80,000**	16,000
Deferred contributions	**4,102,724**	-
	1,914,442	895,905
	10,240,390	(69,683)
INVESTING ACTIVITIES		
Loans receivable *(Note 18)*	**(1,785,000)**	(1,500,000)
Purchase of capital assets	**(1,066,223)**	-
Proceeds from sale of donated property *(Note 4)*	**2,100,000**	-
Investments, net	**(4,376,450)**	1,389,461
Investment in carbon offsets	**40,920**	39,492
	(5,086,753)	(71,047)
FINANCING ACTIVITIES		
Prepaid lease	**(56,761)**	(718,916)
Restricted cash	**(2,659,932)**	(1,192,296)
Demand loan, net	**(375,201)**	1,836,094
	(3,091,894)	(75,118)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,061,743**	(215,848)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**989,992**	1,205,840
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 3,051,735**	$ 989,992

NON-CASH INVESTING ACTIVITY *(Note 4)*

1. 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.

2. 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").

The consolidated financial statements include the accounts of VCF and its controlled not-for-profit organization GVCAF. All inter-company balances and transactions have been eliminated upon consolidation. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of presentation *(continued)*

(iv) Restricted - 312 Main Street Project

This fund contains funds externally restricted by donors for use toward the 312 Main Street Project as well as the revenue and expenses relating to the operation of the second floor of 312 Main Street (Note 7). It also includes construction costs that were not reimbursed by the City of Vancouver and capital assets related to the 312 Main Street Project.

(v) Restricted - City of Vancouver

This fund contains revenue and expenses relating to the operation of 312 Main Street, excluding the second floor on behalf of the City of Vancouver (Note 7).

(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.

312 Main Street Project fund contributions are recognized as revenue of the Restricted - 312 Main Street Project once the amount receivable can be reasonably estimated and collection is reasonably assured.

Restricted contributions for which there is no corresponding restricted fund presented are recognized in the Operating Fund in accordance with the deferral method of accounting for contributions.

Deferred contributions

Deferred contributions represent externally restricted grants and donations received in the current period that are related to a subsequent period for either the Equalizing Opportunities Initiative or the Healing Centre at 312 Main Street. During the year, the Foundation deferred contributions of $4,102,724 (2017 - $Nil) in accordance with this policy.

Investment income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Revenue recognition *(continued)*

Rental income

Rental income from operating leases or licenses are recognized on a straight-line basis over the term of the agreement.

(c) Financial instruments

Measurement

The Foundation's financial instruments consist of cash and cash equivalents, accounts receivable, interest receivable, grants receivable, restricted cash, investments, restricted investments, loans receivable, GVCAF 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized using the straight-line method and the following useful lives:

Furniture and fixtures	5 years
Computer hardware	3 years
Equipment	5 years
Leasehold improvements	Term of the lease

Capital assets acquired during the year are not amortized until they are placed into use.

The Foundation monitors the recoverability of capital assets based on their long-term service potential. When a capital asset no longer has any long-term service potential to the Foundation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs recognized under this policy are not reversed.

(f) Disposal of long-lived assets

The Foundation held 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 20,083 tonnes (2017 - 24,650) 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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Non-monetary transactions

The Foundation recognizes non-monetary transactions in the form of property and program management fee revenue and rent expense related to the 312 Main Street Project. The transactions are measured at the fair market value of the services exchanged based on the agreements with the City of Vancouver.

(k) 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, GVCAF loans receivable, grants receivable, carbon offsets, the determination of the useful lives of assets used for determining amortization, measurement of deferred contributions and the amounts recorded as accrued liabilities.

3. 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 $64,352 (2017 - $62,140) gain from the sale of VERs during the year.

4. 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. The original donation was recorded in contribution revenue in 2017 with a write-down of the real property also recognized in 2017 in the amount of $386,574 in the consolidated statement of operations.

5. INVESTMENTS

	2018		2017	
	Market Value	**Cost**	Market Value	Cost
Term deposits	**$ 851,332**	**$ 849,146**	$ 1,051,720	$ 1,050,000
Marketable equity securities	**5,942,855**	**4,550,146**	28,361,539	19,940,139
Mutual funds	**29,660,860**	**28,601,722**	3,207,733	1,755,668
Government and corporate bonds	**8,496,222**	**8,550,202**	15,476,685	15,430,271
Investments at fair value	**44,951,269**	**42,551,216**	48,097,677	38,176,078
Community development lending	**485,753**	**485,753**	499,415	499,415
Impact equity, at cost	**1,078,752**	**1,078,752**	1,060,395	1,060,395
	$ 46,515,774	**$ 44,115,721**	$ 49,657,487	$ 39,735,888

Included in investments are short-term restricted investments of $799,146 (2017 - $1,000,000), long-term investments of $2,509,078 (2017 - $3,105,807) and long-term restricted investments of $43,207,550 (2017 - $45,551,680). 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.

6. RESTRICTED CASH

Restricted cash consists of the following:

	2018	2017
Restricted Cash - Donor Advised	**$ 4,428,522**	$ 2,153,290
Restricted Cash - GVCAF	**2,863,309**	2,609,304
Restricted Cash - City of Vancouver	**130,009**	-
Restricted Cash - 312 Main Street	**686**	-
	$ 7,422,526	$ 4,762,594

7. 312 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 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 312 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 March 1, 2018, 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.

In connection with the property management and programming agreements described above, VCF recognized property management fee revenue of $62,586 and program management fee revenue of $63,443 on the consolidated statement of operations in the Restricted - 312 Main Street VCF Fund. VCF also recognized matching rent expense in the same amount in the Restricted - 312 Main Street City of Vancouver Fund.

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.

7. 312 MAIN STREET PROJECT *(continued)*

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:

		2018		2017
Prepaid lease				
2018	**$**	**56,761**	$	-
2017		**718,916**		718,916
2016		**384,895**		384,895
2015		**1,304,497**		1,304,497
		2,465,069		2,408,308

During the year, the project achieved a partial occupancy permit, allowing tenants to move into the building. Subsequent to year end, the project achieved a second partial occupancy permit, allowing the use of the basement and the first to the fourth floor. Accordingly, VCF has recognized amortization of the prepaid lease as follows:

	2018	2017
Amortization of lease		
Prepaid lease, beginning of year	**2,465,069**	2,408,308
Amount recognized during the year in the consolidated statement of operations	**(110,050)**	-
	2,355,019	2,408,308
Current portion of prepaid lease	**(132,060)**	-
Prepaid lease, end of year	**2,222,959**	2,408,308

During the year, the VCF entered into a construction agreement for leasehold improvements to be performed to the 3rd and 4th floors in the amount of $1,706,565, which is being funded by the operating demand loan described in Note 11. As the leasehold improvements for the 3rd and 4th floors are not leased by VCF, they are not reported as capital assets on VCF's consolidated statement of financial position.

During fiscal year 2019, VCF expects to incur development expenses of $666,299 related to the Centre. The Centre is anticipated to be completed in 2019, however the 3rd phase of the original agreement, which consisted of the 5th and 6th floor of the building, has been put on hold with no current plans of completion.

8. LOANS RECEIVABLE

The loans receivable balance consists of:

	2018	2017 *(Note 18)*
Program-related investment loans	**$ 250,000**	$ 850,000
GVCAF loans	**4,506,999**	2,721,999
	4,756,999	3,571,999
Less: current portion	**(385,486)**	-
	$ 4,371,513	$ 3,571,999

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 maturing between 2021 and 2022 are due on demand, non-interest bearing for a term of five years, and have no specified terms of repayment. Full repayment is due either on maturity, or on demand by the Foundation, as the two registered charities increase their capacity to make payments. Included in bad debts on the consolidated statement of operations is $600,000 (2017 - $Nil) in loans written off during the year.

The GVCAF loans receivable balance consists of Pre-Development Funding loans and Impact Business loans. These loans are made to registered charities and other organizations in order to help fund housing and other developments, as well as businesses with similar goals to those of the Foundation.

	2018	2017
GVCAF loans	**$ 5,277,485**	$ 3,492,485
Loan loss provision	**(770,486)**	(770,486)
	$ 4,506,999	$ 2,721,999

Included in bad debts on the consolidated statement of operations is $Nil (2017 - $770,486) related to the loan loss provision.

9. 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. During the year, there were no acquisitions, expenditures or sales of art work.

10. CAPITAL ASSETS

	Cost	Accumulated amortization	**2018 Net book value**	2017 Net book value
Furniture and fixtures	$ 1,029,223	$ 103,927	**$ 925,296**	$ -
Computer hardware	22,795	2,847	**19,948**	-
Equipment	11,451	-	**11,451**	-
Leasehold improvements	2,754	-	**2,754**	-
	$ 1,066,223	$ 106,774	**$ 959,449**	$ -

11. 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 312 Main Street Project. The operating demand loan was obtained on a 12-month term with interest calculated and payable monthly at a rate of Vancity Prime plus 1%. The operating demand loan outstanding at December 31, 2017 was repaid during 2018 and a new operating demand loan with the same terms noted above was obtained during the year. The balance drawn at December 31, 2018 was $1,460,893 (2017 - $1,836,094).

The loan is secured by a general security agreement, constituting a first ranking interest in all property of VCF and GVCAF.

The agreement governing the operating demand loan is subject to a minimum debt service coverage ratio of 1.1. As at December 31, 2018, the Foundation was not in compliance with the covenant.

12. INVESTMENT INCOME

	2018	2017
Capital gains	**$ 5,624,940**	$ 1,388,011
Dividend income	**689,187**	591,631
Interest earned, net	**578,938**	500,857
Foreign exchange loss	**(19,485)**	(890,896)
	$ 6,873,580	$ 1,589,603

13. 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 $627,605 (2017 - $799,716) which relate to administrative fees paid in the amount of $466,324 (2017 - $657,442) and grants funding paid in the amount of $161,281 (2017 - $142,274) on the Unrestricted funds' behalf.

14. SALARIES AND RELATED BENEFITS

Salaries and benefits expense for the year includes ten employees that each earned over $75,000, for a total of $1,130,680 (2017 - eight employees, for a total of $886,100).

15. RELATED PARTY TRANSACTIONS

a) The Foundation's board of directors are appointed by the Foundation's members, who are members of Vancity Credit Union's ("Vancity") Board of Directors. In 2018, Vancity provided 43.3% (2017 - 23.9%) 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 11) of which the balance drawn at December 31, 2018 was $1,460,893 (2017 - $1,836,094).

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 $155,953 (2017 - $162,106) and to Vancity of $Nil (2017 - $1,037). The Foundation also paid Vancity $307,714 (2017 - $33,189) for various amounts relating to operating expenses, $52,166 (2017 - $33,473) for interest charges and $226,018 (2017 - $Nil) for write-offs of loans included in bad debt expense.

d) The Foundation received donations from Vancity of $1,070,441 (2017 - $960,341) which were allocated between the Unrestricted and Restricted funds. The Foundation received donations from Vancity of $2,708,222 (2017 - $2,475,302) which were allocated to the grant programs. The Foundation received program contributions from Vancity of $165,000 (2017 - $138,300) which were allocated to the Unrestricted fund for the Social Enterprise and the Real Estate strategic programs (2017 - Social Enterprise and Enterprise Non-Profits). The Foundation received contributions from Vancity of $2,931,088 (2017 - $942,250) which were allocated to the Restricted - Flow Through fund, for programs carried on by the GVCAF. The Foundation received contributions from Vancity of $2,600,000 (2017 - $Nil) for the 312 Main Street project.

e) In the prior 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 312 Main Street Project on behalf of the Foundation. As a result, the Foundation may be obligated to repay the $4M contribution to Vancity in 2019.

16. FINANCIAL INSTRUMENTS RISKS

The Foundation's financial instruments are described in Note 2(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 significant changes in risk exposures from the prior year.

The carrying amount of financial assets measured at amortized cost is $23,510,058 as at December 31, 2018 (2017 - $16,863,844). The carrying amount of financial assets measured at fair value is $44,951,269 as at December 31, 2018 (2017 - $48,097,678).

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

16. FINANCIAL INSTRUMENTS RISKS *(continued)*

Credit risk

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in a financial loss. 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, and the outstanding GVCAF loans. 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 operating demand loan secured by assets of the Foundation (Note 11).

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. The Foundation mitigates liquidity risk by maintaining a significant cash balance and marketable securities which are easily convertible to cash if necessary.

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.

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.

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 valued at $3,156,311 (US $2,313,670). The Foundation does not enter into hedge agreements as the total currency risk is within the allowable range of the Foundation's investment policy.

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

The Foundation 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 11.

The Foundation mitigates interest rate risk by investing in fixed rate investments and by renegotiating its demand facility debt as it becomes due.

16. FINANCIAL INSTRUMENTS RISKS *(continued)*

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 Foundation is not exposed to other price risk beyond what has been described above.

Concentration of risk and economic dependence

The Foundation's contribution base is concentrated as 61.1% (2017 - 24.1%) of the Foundation's revenue is received from the top two contributors (2017 - one contributor).

17. SUBSEQUENT EVENTS

Subsequent to year end, the Foundation entered into an agreement with the Province of British Columbia to administer $10,000,000 in funding for the purposes of supporting the funding of existing rent banks in British Columbia and supporting the establishment and funding of new rent banks in British Columbia.

In addition, the Foundation entered into a one year agreement with the the Federal government to administer $11,782,096 in funding for the purposes of supporting projects related to homeless individuals and those at risk of homelessness and a three year agreement that will provide the Foundation with $381,447 in funding for the purposes of supporting under-represented and vulnerable segments of the population who may face challenges in accessing the Canada Learning Bond.

18. RETROSPECTIVE RESTATEMENT

During the year, the Foundation determined that certain amounts totaling $3,492,485 had been previously expensed as grant disbursements even though the funds are expected to be repaid to the Foundation. $1,030,000 was advanced during the year ended December 31, 2017 and the balance of $2,462,485 was advanced in years prior to December 31, 2017.

Since the funds disbursed were always repayable to the Foundation, the fiscal 2017 consolidated financial statements presented for comparative purposes have been restated to increase loans receivable by $3,492,485, decrease grant disbursements by $1,030,000 and increase the Restricted - Flow Through fund balance by $2,462,485. The Foundation also recorded a loan loss provision based on specific loans of $770,486. The Foundation's assets, changes in fund balances, and excess of revenue over disbursements for the year then ended have also been restated.

A summary of the revision to the Foundation's fund balances is as follows:

Fund balances on January 1, 2017, as previously stated	**$ 55,687,501**
Recognition of prior year loans receivable previously expensed	**2,462,485**
Restated opening fund balance	**58,149,986**
Excess of revenues over disbursements for the year ended December 31, 2017, as previously stated	**2,710,822**
Recognition of loans receivable during 2017 recorded as an expense	**1,030,000**
Adjusted loan loss provision for the year ended December 31, 2017	**(770,486)**
Restated excess of revenue over disbursements for the year ended December 31, 2017	**2,970,336**
Restated fund balances, as at December 31, 2017	**$ 61,120,322**

In addition to the retrospective restatement, certain comparative figures for 2017 have been reclassified to ensure comparability with the presentation format adopted for the current period.