VANCITY COMMUNITY FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

manning elliott

17th floor, 1030 West Georgia St., Vancouver, BC, Canada V6E 2Y3

Tel: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

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, 2019, 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 consolidated financial position of the Foundation as at December 31, 2019, 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 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for non-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 related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

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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 auditors' 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 basis consistent with that of the preceding year.

Manning Elliott LLP

Chartered Professional Accountants
Vancouver, British Columbia
September 11, 2020

VANCITY COMMUNITY FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 13,994,092**	$ 3,051,735
Accounts receivable	**94,197**	990,602
Interest receivable	**22,718**	21,225
Grants receivable	**284,389**	2,010,000
GST receivable	**11,915**	164,051
Investment in carbon offsets *(Note 3)*	**127,342**	181,397
Restricted investments *(Note 4)*	**249,900**	799,146
Prepaid expenses	**54,577**	-
Current portion of prepaid lease *(Note 6)*	**132,060**	132,060
Current portion of loans receivable *(Note 7)*	**760,000**	385,486
	15,731,190	7,735,702
RESTRICTED CASH *(Note 5)*	**7,323,481**	7,422,526
INVESTMENTS *(Note 4)*	**1,021,701**	2,509,078
RESTRICTED INVESTMENTS *(Note 4)*	**52,465,610**	43,207,550
PREPAID LEASE *(Note 6)*	**2,090,900**	2,222,959
LOANS RECEIVABLE *(Note 7)*	**8,487,000**	4,371,513
ART COLLECTION *(Note 8)*	**32,550**	32,550
CAPITAL ASSETS *(Note 9)*	**1,075,155**	959,449
	$ 88,227,587	$ 68,461,327

VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018
LIABILITIES		
CURRENT		
Demand loan *(Note 10)*	**$ 554,414**	$ 1,460,893
Accounts payable and accrued liabilities	**408,396**	1,572,043
Government remittances payable	**10,830**	5,913
Security deposits	**89,500**	79,590
Deferred rent	**22,601**	23,882
Grants payable	**814,157**	105,000
Note payable *(Note 11)*	**500,000**	-
Current portion of deferred contributions *(Note 12)*	**9,545,921**	1,269,391
	11,945,819	4,516,712
DEFERRED CONTRIBUTIONS *(Note 12)*	**4,606,731**	2,833,333
	16,552,550	7,350,045
FUND BALANCES		
UNRESTRICTED	**6,420,308**	5,791,661
RESTRICTED - FLOW THROUGH	**15,803,606**	12,929,174
RESTRICTED - DONOR ADVISED	**55,287,593**	48,413,112
RESTRICTED - MAIN STREET - VCF	**(4,946,606)**	(4,992,506)
RESTRICTED - 312 MAIN STREET - CITY OF VANCOUVER	**(889,864)**	(1,030,159)
	71,675,037	61,111,282
	$ 88,227,587	$ 68,461,327

COMMITMENTS *(Note 6)*
CONTINGENT LIABILITY *(Note 16)*
SUBSEQUENT EVENTS *(Note 18)*

Approved on behalf of the Board

_____________________ *Director* _____________________ *Director*

VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Unrestricted	Restricted - Flow Through	Restricted - Donor Advised	Restricted - Main Street VCF	Restricted - 312 Main Street City of Vancouver	**2019**	2018
FUND BALANCES BEGINNING OF YEAR	$ 5,791,661	$ 12,929,174	$ 48,413,112	$ (4,992,506)	$ (1,030,159)	**$ 61,111,282**	$ 61,120,322
Excess (deficiency) of revenue over disbursements for the year	(46,712)	2,874,432	7,549,840	45,900	140,295	**10,563,755**	(9,040)
Interfund transfers *(Note 14)*	675,359	-	(675,359)	-	-	**-**	-
FUND BALANCES, END OF YEAR	$ 6,420,308	$ 15,803,606	$ 55,287,593	$ (4,946,606)	$ (889,864)	**$ 71,675,037**	$ 61,111,282

VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Unrestricted	Restricted - Flow Through	Restricted - Donor Advised	Restricted - 312 Main Street VCF	Restricted - 312 Main Street City of Vancouver	**2019**	2018
REVENUE							
Community development lending interest	$ 46,077	$ -	$ -	$ -	$ -	**$ 46,077**	$ 65,224
Contributions *(Note 6)*	11,471,272	6,785,803	3,077,494	2,141,315	-	**23,475,884**	18,157,484
Investment income *(Note 13)*	1,439,052	79,198	1,391,319	6	1,487	**2,911,062**	6,873,580
Programs	216,938	-	-	244	-	**217,182**	818,785
Property and program management income *(Note 6)*	-	-	-	119,150	-	**119,150**	126,299
Rental income	-	-	-	395,690	1,192,761	**1,588,451**	501,212
Unrealized change in market value of investments	(1,112,554)	-	5,615,549	-	-	**4,502,995**	(7,518,164)
	12,060,785	6,865,001	10,084,362	2,656,405	1,194,248	**32,860,801**	19,024,420
ADMINISTRATIVE AND PROGRAM EXPENSES							
Amortization of capital assets	34,700	-	-	205,755	-	**240,455**	106,774
Bad debts *(Note 7)*	40,400	250,000	-	-	578	**290,978**	600,000
Board governance	23,215	-	-	-	-	**23,215**	5,228
Building expense *(Note 6)*	43,438	-	-	322,827	818,142	**1,184,407**	461,418
Charitable programs	14,153	-	-	-	-	**14,153**	8,867
Conferences	107,370	20,905	-	400	-	**128,675**	45,041
Insurance	-	-	-	82,813	29,669	**112,482**	96,768
Interest and bank charges	-	1,171	-	33,798	1,987	**36,956**	52,271
Investment management fees	19,839	-	180,768	-	-	**200,607**	269,070
312 Main Street project *(Note 6)*	-	-	-	1,008,483	-	**1,008,483**	6,692,616
Marketing	30,608	-	-	-	-	**30,608**	70,159
Meetings	49,693	-	-	303	-	**49,996**	59,896
Memberships	9,064	-	-	-	-	**9,064**	17,360
Miscellaneous	16,811	-	4,571	-	-	**21,382**	86,042
Professional fees	852,136	59,971	-	190,261	-	**1,102,368**	1,043,407
Publications	19,355	-	-	1,185	-	**20,540**	22,748
Rent	-	-	-	251,210	-	**251,210**	236,349
Research and training	7,007	-	-	81	-	**7,088**	29,951
Salaries and related benefits *(Note 15)*	2,364,978	-	-	482,615	64,259	**2,911,852**	2,874,657
Special events	84,859	281,277	-	764	-	**366,900**	105,996
Supplies	16,430	-	-	24,283	717	**41,430**	7,771
Travel and accommodation	50,310	-	-	-	-	**50,310**	39,095
Utilities	37,291	-	-	4,618	138,601	**180,510**	168,855
Website and IT	57,870	-	-	1,109	-	**58,979**	105,173
	3,879,527	613,324	185,339	2,610,505	1,053,953	**8,342,648**	13,205,512
NET REVENUE BEFORE GRANT DISBURSEMENTS	8,181,258	6,251,677	9,899,023	45,900	140,295	**24,518,153**	5,818,908
GRANT DISBURSEMENTS	(8,227,970)	(3,377,245)	(2,349,183)	-	-	**(13,954,398)**	(5,827,948)
(DEFICIENCY) EXCESS OF REVENUE OVER DISBURSEMENTS FOR THE YEAR	$ (46,712)	$ 2,874,432	$ 7,549,840	$ 45,900	$ 140,295	**$ 10,563,755**	$ (9,040)

VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over disbursements for the year	**$ 10,563,755**	$ (9,040)
Items not affecting cash:		
Amortization of capital assets	**240,455**	106,774
Amortization of prepaid lease	**242,110**	110,050
Bad debts	**290,978**	600,000
Unrealized change in market value of investments	**(4,502,995)**	7,518,164
	6,834,303	8,325,948
Changes in non-cash working capital:		
Accounts receivable	**896,405**	(73,113)
Interest receivable	**(1,493)**	81,084
Grants receivable	**1,725,611**	(1,907,981)
GST receivable	**152,136**	(69,593)
Prepaid expenses	**(54,577)**	-
Accounts payable and accrued liabilities	**(1,163,647)**	(332,357)
Government remittances payable	**4,917**	722
Security deposits	**9,910**	9,074
Prepaid lease	**132,060**	(56,761)
Deferred rent	**(1,281)**	23,882
Grants payable	**709,157**	80,000
Deferred contributions	**10,049,928**	4,102,724
	12,459,126	1,857,681
	19,293,429	10,183,629
INVESTING ACTIVITIES		
Advances of loans receivable	**(4,490,001)**	(1,785,000)
Purchase of capital assets	**(364,160)**	(1,066,223)
Investments and restricted investments, net	**(3,061,957)**	(4,376,450)
Proceeds from sale of carbon offsets	**(127,520)**	40,920
Proceeds from sale of donated property	**-**	2,100,000
	(8,043,638)	(5,086,753)
FINANCING ACTIVITIES		
Proceeds from note payable	**500,000**	-
Restricted cash	**99,045**	(2,659,932)
Demand loan, net	**(906,479)**	(375,201)
	(307,434)	(3,035,133)
CHANGE IN CASH DURING THE YEAR	**10,942,357**	2,061,743
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**3,051,735**	989,992
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 13,994,092**	$ 3,051,735

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 and includes restricted contributions for which there is no corresponding restricted fund.

(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 6). 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 - 312 Main Street 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 6).

(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 Unrestricted Fund in accordance with the deferral method of accounting for contributions. Deferred contributions represent externally restricted grants and donations received in the current period that are related to a subsequent period.

Investment income

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

Rental income

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

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

(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, grants payable and note 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.

Effective January 1, 2019, the Foundation adopted Section 4433 "Tangible capital assets held by not-for-profit organizations", which replaces Section 4431 of the same name. The new section clarifies that not-for-profit organizations apply the requirements for componentization in Section 3061 "Property, Plant and Equipment", refines the guidance regarding the write-down of tangible capital assets (see below) and provides additional guidance on accounting for the cost of a contributed capital asset.

As noted above, effective January 1, 2019 the Foundation adopted Section 4433 "Tangible capital assets held by not-for-profit organizations". Under the new section, the Foundation's policy is to record a write-down to a capital asset's fair value or replacement cost when conditions indicate that a capital asset is impaired. Such conditions include when the capital asset no longer contributes to an organization's ability to provide goods and services or when the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. Write-downs are recognized as an expense in the consolidated statement of operations and are not reversed.

Adoption of the new section did not have any impact on the reported amounts of the Foundation's capital assets.

(f) Disposal of long-lived assets

The GVCAF holds 14,220 tonnes (2018 - 20,083) 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) Loans receivable

The GVCAF provides support to certain 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 loans receivable. Such impairment loss is recorded as part of 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.

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

(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) 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, grants receivable, carbon offsets, loans receivable, 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 $64,226 (2018 - $64,352) gain from the sale of VERs during the year.

4. INVESTMENTS

	2019 Market Value	2019 Cost	2018 Market Value	2018 Cost
Term deposits	**$ 2,027,656**	**$ 2,024,547**	$ 851,332	$ 849,146
Marketable equity securities	**6,974,751**	**4,493,557**	5,942,855	4,550,146
Mutual funds	**40,207,462**	**35,866,719**	29,660,860	28,601,722
Government and corporate bonds	**3,241,875**	**3,201,126**	8,496,222	8,550,202
Investments at fair value	**52,451,744**	**45,585,949**	44,951,269	42,551,216
Community development lending	**433,811**	**433,811**	485,753	485,753
Impact equity, at cost	**851,657**	**851,657**	1,078,752	1,078,752
	$ 53,737,212	**$ 46,871,417**	$ 46,515,774	$ 44,115,719

Included in investments are short-term restricted investments of $249,900 (2018 - $799,146), long-term investments of $1,021,701 (2018 - $2,509,078) and long-term restricted investments of $52,465,610 (2018 - $43,907,550). 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:

	2019	2018
Restricted Cash - Donor Advised	**$ 3,091,052**	$ 4,428,522
Restricted Cash - GVCAF	**4,110,867**	2,863,309
Restricted Cash - City of Vancouver	**121,562**	130,009
Restricted Cash - 312 Main Street	**-**	686
	$ 7,323,481	$ 7,422,526

6. 312 MAIN STREET PROJECT

Overview of the 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.

Construction project management 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 restricted fund on its consolidated statement of operations.

Prepaid lease

The prepaid lease agreement has a term of 15 years commencing upon completion of construction and will be paid as follows:

(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.

Following items (a) and (b) above, VCF has made capital contributions towards capital cost upgrades to the Centre and construction project management costs recorded on the consolidated statement of financial position as a prepaid lease. In 2018, VCF reached the maximum prepaid lease threshold of $2,465,069 as stipulated in the prepaid lease agreement and accordingly no further amounts have been capitalized as a prepaid lease in 2019. The prepaid lease of $2,465,069 is comprised of the following amounts:

- cash contribution of $1,890,398;
- in-kind construction management of $342,671;
- in-kind program management services investment of $115,000; and
- in-kind property management services investment of $117,000.

Additional costs incurred on the Centre have been recorded as described below.

Amortization of prepaid lease

The Centre obtained partial occupancy of the building during 2018 and during 2019, 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:

	2019	2018
Prepaid lease, beginning of year	**2,355,019**	2,465,069
Amount recognized during the year in the consolidated statement of operations under rent expense	**(132,059)**	(110,050)
	2,222,960	2,355,019
Current portion of prepaid lease	**(132,060)**	(132,060)
Prepaid lease, end of year	**2,090,900**	2,222,959

6. 312 MAIN STREET PROJECT *(continued)*

Property management services and programming services agreements

Under the property management services 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 (March 1, 2018), which includes property management and leasing duties. VCF is responsible for the operating and maintenance costs of the Centre as outlined in the property management services 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.

In connection with the property management services and programming services agreements described above, VCF recognized property management fee revenue of $59,298 (2018 - $62,856) and program management fee revenue of $59,852 (2018 - $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.

Additional 312 Main Street project expenses

During 2019, VCF incurred development expenses of $1,051,947 related to the Centre, of which $1,008,483 is recognized in the consolidated statement of operations as an expense in the 312 Main Street restricted fund and $43,464 have been capitalized as leasehold improvements on the consolidated statement of financial position. The Centre is anticipated to be completed in 2020; however the third phase of the original agreement, which consisted of the fifth and sixth floor of the building, has been put on hold with no current plans of completion. The total outstanding construction costs on this project are currently indeterminable.

7. LOANS RECEIVABLE

The loans receivable balance consists of:

	2019	2018
Program-related investment loans	**$ 645,000**	$ 250,000
GVCAF loans	**8,602,000**	4,506,999
	9,247,000	4,756,999
Less: current portion	**(760,000)**	(385,486)
	$ 8,487,000	$ 4,371,513

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 GVCAF and program-related investment loans receivable maturing between 2021 and 2022 are due on demand, non-interest bearing, and have no specified terms of repayment. Full repayment is due either on maturity, or on demand by the Foundation, as the the registered charities increase their capacity to make payments. Included in bad debts on the consolidated statement of operations is $250,000 (2018 - $600,000) 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.

	2019	2018
GVCAF loans	**$ 9,360,672**	$ 5,277,485
Provision	**(758,672)**	(770,486)
	$ 8,602,000	$ 4,506,999

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

9. CAPITAL ASSETS

	Cost	Accumulated amortization	**2019 Net book value**	2018 Net book value
Furniture and fixtures	$ 1,329,783	$ 335,273	**$ 994,510**	$ 925,296
Computer hardware	25,043	11,194	**13,849**	19,948
Equipment	21,338	-	**21,338**	11,451
Leasehold improvements	46,219	761	**45,458**	2,754
	$ 1,422,383	$ 347,228	**$ 1,075,155**	$ 959,449

10. 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, 2018 was repaid during 2019 and a new operating demand loan with the same terms noted above was obtained during the year. The balance drawn at December 31, 2019 was $554,414 (2018 - $1,460,893).

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, 2019, the Foundation was in compliance with the covenant (2018 - not in compliance with the covenant).

11. NOTE PAYABLE

The note payable is unsecured, bearing interest at 1.5% per annum, and has a 5-year term, with an option to renew. Repayment of the principal is expected through a single balloon payment, representing all principal and interest owing, before the maturity date of September 30, 2024. This note payable is also due on demand, at the request of the lender.

12. DEFERRED CONTRIBUTIONS

Deferred contributions represent grants and donations externally restricted for specific projects that occur in a subsequent period.

	2018	Contributions Received	Amortized to Revenue	**2019**
Equalizing Opportunities	$ 3,902,724	$ -	$ (1,283,214)	**$ 2,619,511**
Reaching Home	-	8,937,408	(7,275,150)	**1,662,259**
Rent Bank	-	10,000,000	(439,903)	**9,560,097**
Other	-	354,185	(43,400)	**310,785**
Subtotal	3,902,724	19,291,593	(9,041,667)	**14,152,652**
Less: current portion	(1,269,391)	-	-	**(9,545,921)**
	$ 2,833,333	-	-	**$ 4,604,731**

13. INVESTMENT INCOME

	2019	2018
Capital gains	**$ 1,566,397**	$ 5,624,940
Dividend income	**178,574**	689,187
Interest earned, net	**1,310,218**	578,938
Foreign exchange loss	**(144,127)**	(19,485)
	$ 2,911,062	$ 6,873,580

14. 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 $675,359 (2018 - $627,605) which relate to administrative fees paid in the amount of $491,386 (2018 - $466,324) and grants funding paid in the amount of $183,973 (2018 - $161,281).

15. SALARIES AND RELATED BENEFITS

Salaries and benefits expense for the year includes twelve employees that each earned over $75,000, for a total of $1,276,335 (2018 - ten employees, for a total of $1,130,680).

16. RELATED PARTY TRANSACTIONS

Vancouver City Savings Credit Union

The Foundation's board of directors are appointed by the Foundation's members, who are members of Vancouver City Savings Credit Union's ("Vancity") Board of Directors. In 2019, Vancity provided 27.91% (2018 - 43.3%) of the Foundation's total revenue.

The Foundation has a $2,000,000 operating demand loan from Vancity (Note 10) of which the balance drawn at December 31, 2019 was $554,414 (2018 - $1,460,893).

In 2017, 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.

16. RELATED PARTY TRANSACTIONS *(continued)*

The Foundation has balances due from and due to Vancity as follows: included in grants receivable is $25,000 (2018 - $1,950,000) due from Vancity and included in accounts payable is $8,555 (2019 - $256,091) due to Vancity.

During the year, the Foundation paid Vancity for the following:

		2019		2018
Operating expenses	**$**	**338,357**	$	307,714
Interest payments		**36,038**		52,166
Write-off of loans included in loan loss reserves		**213,430**		226,018
	$	**587,825**	$	585,898

The Foundation received contributions from Vancity which were allocated as follows:				
Unrestricted - programs	**$**	**125,000**	$	165,000
Restricted - Flow Through - VCF		**2,883,359**		2,708,222
Restricted - 312 Main Street Project		**2,050,000**		2,600,000
Unrestricted - Affordable Housing Loan Funds		**2,432,500**		-
Restricted - Donor Advised funds		**270,000**		568,941
Restricted - Flow Through - GVCAF		**822,415**		2,931,088
Unrestricted - annual operating contribution		**350,000**		350,000
Unrestricted - other contributions		**290,319**		521,947
	$	**9,223,593**	$	9,845,198

Vancity Investment Management Ltd.

Vancity Investment Management Ltd. is a subsidiary of Vancity. 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 investment management fees to Vancity Investment Management Ltd. of $148,363 (2018 - $155,953). The Foundation has balances due from and due to Vancity Investment Management Ltd. as follows: included in accounts receivable is $2,509 (2018 - $Nil) due from Vancity Investment Management Ltd. and included in accounts payable is $1,465 (2018 - $5,912) due to Vancity Investment Management Ltd.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. FINANCIAL INSTRUMENTS RISKS

The Foundation's financial instruments are described in Note 2(c). In management's opinion, the Foundation is exposed to significant currency, credit, liquidity, interest rate, market or other price risks arising from its financial instruments, as explained in the following paragraphs. In addition, the Foundation is also exposed to material concentrations of risk as explained below.

The carrying amount of financial assets measured at amortized cost is $35,775,843 as at December 31, 2019 (2018 - $23,510,058). The carrying amount of financial assets measured at fair value is $52,451,744 as at December 31, 2019 (2018 - $44,951,269).

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 accounts receivable, 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. Due to the COVID-19 outbreak that was declared subsequent to year-end, credit risk has increased as many organizations have been impacted financially by reduced operations, and therefore may default on their loans owed to the Foundation. 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 an operating demand loan secured by assets of the Foundation (Note 10).

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

As noted above, the COVID-19 health pandemic could impact the timing of cash inflows from the outstanding loan recipients. The Foundation has pro-actively managed any disruption to its regular balance of working capital and anticipates that its unrestricted cash and available credit facility will adequately minimize liquidity risk.

Market risk

Market risk is the potential for financial loss to the Foundation from changes in the values of its financial instruments. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. 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 USD and global equity securities valued at $3,859,172 (USD $2,980,455). The Foundation does not enter into hedge agreements as the total currency risk is within the allowable range of the Foundation's investment policy.

17. FINANCIAL INSTRUMENTS RISKS *(continued)*

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 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 10.

The Foundation also has a fixed rate note payable which is subject to interest rate cash flow risk. The interest rate on the note payable is disclosed in Note 11.

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

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 manages this risk through maintaining a diversified investment portfolio and regularly reviewing its investment structure and strategy.

There is increased other price risk as a result of the COVID-19 health pandemic as explained in Note 18 and as demonstrated through the decline in market value of the Foundation's equity investments during the year. The value of the investments have subsequently increased as the markets are recovering from the COVID-19 health pandemic. As at August 31, 2020, marketable equity securities, mutual funds, and government and corporate bonds had a fair market value of $51,864,203 compared to $50,424,088 as at December 31, 2019 as outlined in Note 4.

Concentration of risk and economic dependence

The Foundation's contribution base is concentrated as 49.9% (2018 - 61.1%) of the Foundation's revenue is received from the top two contributors (2018 - two contributors). The Foundation's management doesn't anticipate a disruption in contributions from its top two contributors as a result of COVID-19.

18. SUBSEQUENT EVENTS

Subsequent to year end, the Foundation invested $5,000,000 into a newly created endowment fund 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, during March 2020, a global health pandemic was declared due to the COVID-19 virus, which has had a significant impact on organizations through the restrictions put in place by Canada and other countries regarding travel, business operations and isolation/quarantine orders. At this time, the extent of the impact that the COVID-19 health pandemic may have on the Foundation is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

Demand for the Foundation's services subsequent to year end has remained within management's expectations under various normal operating scenarios. The Foundation continues to monitor its operations and assess the impact COVID-19 will have on future operating activities. At this time, the full extent of the effect of the COVID-19 health pandemic on the Foundation is indeterminable.