# VANCITY COMMUNITY FOUNDATION

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021, 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, 2021, and the consolidated results of its operations and consolidated 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 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 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.

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

### 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.

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

**Report on Other Legal and Regulatory Requirements**

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Manning Elliott LLP

Chartered Professional Accountants
Vancouver, British Columbia
June 7, 2022

## VANCITY COMMUNITY FOUNDATION
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT DECEMBER 31, 2021

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| CURRENT | | |
| Cash and cash equivalents | $ 7,154,377 | $ 10,904,611 |
| Accounts receivable | 196,220 | 167,441 |
| Interest receivable | 13,690 | 10,601 |
| Grants receivable | 7,985 | 47,214 |
| GST receivable | 38,287 | 19,044 |
| Investment in carbon offsets *(Note 3)* | 65,650 | 91,665 |
| Restricted investments *(Note 5)* | 815,771 | - |
| Prepaid expenses | 72,789 | 46,872 |
| Current portion of prepaid lease *(Note 6)* | 132,060 | 132,060 |
| Current portion of loans receivable *(Note 7)* | 1,594,320 | 1,005,000 |
| | 10,091,149 | 12,424,508 |
| RESTRICTED CASH *(Note 4)* | 6,576,882 | 5,141,285 |
| INVESTMENTS *(Note 5)* | 325,000 | 304,797 |
| RESTRICTED INVESTMENTS *(Note 5)* | 62,335,864 | 60,750,577 |
| PREPAID LEASE *(Note 6)* | 1,826,780 | 1,958,840 |
| LOANS RECEIVABLE *(Note 7)* | 19,107,525 | 16,051,365 |
| CAPITAL ASSETS *(Note 8)* | 568,580 | 765,814 |
| | $100,831,780 | $ 97,397,186 |

VANCITY COMMUNITY FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

| | 2021 | 2020 |
|---|---|---|
| **LIABILITIES** | | |
| CURRENT | | |
| Demand loan *(Note 9)* | $ 881,467 | $ 944,808 |
| Accounts payable and accrued liabilities | 1,138,801 | 516,749 |
| Government remittances payable | 3,899 | 2,426 |
| Security deposits | 117,767 | 97,147 |
| Deferred rent | 37,373 | 60,157 |
| Grants payable | 1,322,526 | 3,997,102 |
| Notes payable *(Note 10)* | 4,125,000 | 1,500,000 |
| Current portion of deferred contributions *(Note 11)* | 3,924,366 | 3,296,832 |
| | 11,551,199 | 10,415,221 |
| DEFERRED CONTRIBUTIONS *(Note 11)* | 5,113,016 | 7,004,912 |
| | 16,664,215 | 17,420,133 |
| COMMITMENTS *(Note 6)* | | |
| CONTINGENT LIABILITY *(Note 15)* | | |
| **FUND BALANCES** | | |
| UNRESTRICTED | 7,700,201 | 8,250,930 |
| RESTRICTED - FLOW THROUGH | 19,042,377 | 17,622,628 |
| RESTRICTED - DONOR ADVISED | 64,675,100 | 60,883,398 |
| RESTRICTED - MAIN STREET - VCF | (6,688,252) | (6,146,448) |
| RESTRICTED - 312 MAIN STREET - CITY OF VANCOUVER | (561,861) | (633,455) |
| | 84,167,565 | 79,977,053 |
| | $100,831,780 | $ 97,397,186 |

Approved on behalf of the Board

Jonathan Fowlie Director

Director

VANCITY COMMUNITY FOUNDATION

CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2021

| | Unrestricted | Restricted - Flow Through | Restricted - Donor Advised | Restricted - Main Street VCF | Restricted - 312 Main Street City of Vancouver | 2021 | 2020 |
|---|---|---|---|---|---|---|---|
| FUND BALANCES, BEGINNING OF YEAR | $ 8,250,930 | $ 17,622,628 | $ 60,883,398 | $ (6,146,448) | $ (633,455) | **$ 79,977,053** | $ 71,675,037 |
| Excess (deficiency) of revenue over disbursements for the year | (1,362,511) | 1,419,749 | 4,602,234 | (540,554) | 71,594 | **4,190,512** | 8,302,016 |
| Interfund transfers *(Note 13)* | 811,782 | - | (810,532) | (1,250) | - | - | - |
| FUND BALANCES, END OF YEAR | $ 7,700,201 | $ 19,042,377 | $ 64,675,100 | $ (6,688,252) | $ (561,861) | **$ 84,167,565** | $ 79,977,053 |

**VANCITY COMMUNITY FOUNDATION**
**CONSOLIDATED STATEMENT OF OPERATIONS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Unrestricted | Restricted - Flow Through | Restricted - Donor Advised | Restricted - 312 Main Street VCF | Restricted - 312 Main Street City of Vancouver | 2021 | 2020 |
|---|---|---|---|---|---|---|---|
| REVENUE | | | | | | | |
| Community development lending interest | $ 3 437 | $ 364 308 | $ - | $ - | $ - | $ 367,745 | $ 650 600 |
| Contributions (Note 6) | 30 944 249 | 2 598 930 | 3 790 642 | 1 588 | - | 37,335,409 | 41 562 496 |
| Investment income (Note 12) | 83 454 | (6 115) | 5 727 361 | - | 1 042 | 5,805 742 | 4 718 694 |
| Programs | 1 552 575 | - | - | - | - | 1 552,575 | 920 758 |
| Property and program management income (Note 6) | - | - | - | 106 043 | - | 106 043 | 112 406 |
| Rental and operating income | - | - | - | 669 128 | 1 125 978 | 1,795 106 | 1 740 289 |
| Unrealized change in market value of investments | - | - | (1 039 112) | - | - | (1,039,112) | 4 061 403 |
| | 32 583 715 | 2 957 123 | 8 478 891 | 776 759 | 1 127 020 | 45 923 508 | 53 766 646 |
| ADMINISTRATIVE AND PROGRAM EXPENSES | | | | | | | |
| 312 Main Street project (Note 6) | - | - | - | 63 169 | 132 060 | 195,229 | 590 200 |
| Amortization of capital assets | 60 455 | - | - | 218 129 | - | 278 584 | 277 279 |
| Bad debts (Note 7) | - | 116 727 | - | 360 | 415 | 117,502 | 620 851 |
| Board governance | 58 263 | - | - | - | - | 58 263 | 9 224 |
| Building expense (Note 6) | - | - | - | 107 796 | 669 812 | 777,608 | 723 778 |
| Charitable programs | 749 096 | - | - | - | - | 749,096 | 73 688 |
| Honoraria | 21 451 | 3 200 | - | 290 | - | 24,941 | 49 852 |
| Insurance | 8 226 | - | - | - | 62 678 | 70,904 | 69 498 |
| Interest and bank charges | 4 863 | 115 000 | 11 224 | 46 142 | 1 998 | 179,227 | 93 152 |
| Investment management fees | 1 433 | 19 | 194 209 | - | - | 195,661 | 153 115 |
| Marketing | 36 334 | - | - | 325 | - | 36,659 | 21 531 |
| Meetings | 1 851 | - | - | 502 | - | 2,353 | 18 038 |
| Memberships | 23 408 | - | - | 424 | - | 23,832 | 6 886 |
| Miscellaneous | 6 334 | - | - | - | - | 6,334 | 7 153 |
| Professional fees | 722 939 | - | - | 21 035 | - | 743,974 | 1 169 654 |
| Publications | 14 457 | - | - | - | - | 14,457 | 5 961 |
| Rent | 849 | - | - | 422 743 | - | 423 592 | 468 483 |
| Salaries and related benefits (Note 14) | 2 619 902 | - | - | 386 890 | 69 134 | 3 075,926 | 2 785 248 |
| Special events (recovery) | 3 308 | - | - | 21 | (166) | 3,163 | 37 564 |
| Staff development and training | 19 732 | - | - | 2 532 | - | 22,264 | 6 323 |
| Supplies and office equipment | 16 621 | - | - | 22 026 | 622 | 39,269 | 46 445 |
| Travel and accommodation | 11 831 | - | - | - | - | 11,831 | 8 605 |
| Utilities | 47 620 | - | - | 13 373 | 118 873 | 179 866 | 191 434 |
| Website and IT | 186 073 | - | - | 11 556 | - | 197 629 | 228 086 |
| | 4 615 046 | 234 946 | 205 433 | 1 317 313 | 1 055 426 | 7 428 164 | 7 673 209 |
| NET REVENUE BEFORE GRANT DISBURSEMENTS | 27 968 669 | 2 722 177 | 8 273 458 | (540 554) | 71 594 | 38,495,344 | 46 093 437 |
| GRANT DISBURSEMENTS | (29 331 180) | (1 302 428) | (3 671 224) | - | - | (34 304 832) | (37 791 421) |
| EXCESS (DEFICIENCY) OF REVENUE OVER DISBURSEMENTS FOR THE YEAR | $ (1 362 511) | $ 1 419 749 | $ 4 602 234 | $ (540 554) | $ 71 594 | $ 4 190 512 | $ 8 302 016 |

## VANCITY COMMUNITY FOUNDATION
## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED DECEMBER 31, 2021

| | 2021 | 2020 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Excess of revenue over disbursements for the year | $ 4,190,512 | $ 8 302 016 |
| Items not affecting cash: | | |
| Amortization of capital assets | 278,584 | 277,279 |
| Amortization of prepaid lease | 132,060 | 132 060 |
| Gain on sale of carbon offsets | (41,091) | (55 986) |
| Unrealized change in market value of investments | 1,039,112 | (4,061 403) |
| | 5,599,177 | 4 593 966 |
| Changes in non-cash working capital: | | |
| Accounts receivable | (28,779) | (73 244) |
| Interest receivable | (3,089) | 12 117 |
| Grants receivable | 39,229 | 237,175 |
| GST receivable | (19,243) | (7,129) |
| Prepaid expenses | (25,917) | 7 705 |
| Accounts payable and accrued liabilities | 622,052 | 118,355 |
| Government remittances payable | 1,473 | (8 404) |
| Security deposits | 20,620 | 7,647 |
| Deferred rent | (22,784) | 37,556 |
| Grants payable | (2,674,576) | 3,182,945 |
| Deferred contributions | (1,264,362) | (3,850,908) |
| | (3,355,376) | (336 185) |
| | 2,243,801 | 4,257,781 |
| **INVESTING ACTIVITIES** | | |
| Advances of loans receivable | (3,645,480) | (7,819,366) |
| Proceeds from sale of capital assets | - | 33,160 |
| Purchase of capital assets | (81,350) | (1,097) |
| Re-investment in investments and restricted investments, net | (3,460,373) | (3,224 579) |
| Proceeds from sale of carbon offsets | 67,106 | 92 030 |
| (Increase) decrease in restricted cash | (1,435,597) | 2 182 196 |
| | (8,555,694) | (8 737 656) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from issuance of notes payable | 2,625,000 | 1,000,000 |
| Demand loan, net | (63,341) | 390 394 |
| | 2,561,659 | 1,390,394 |
| CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR | (3,750,234) | (3,089 481) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 10,904,611 | 13 994 092 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | $ 7,154,377 | $ 10 904 611 |

1. PURPOSE OF THE 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 and transitioned to the Societies Act of British Columbia in 2018. 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 and transitioned to the Societies Act of British Columbia in 2018. 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.

The COVID-19 virus has had a significant impact on economic and social activity through the restrictions put in place by various levels of government regarding travel, business operations, and public gatherings. At this time, the extent of the impact that the COVID-19 health pandemic may have on the Foundation is not entirely determinable as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. The Foundation continues to monitor its operations and funding and assess the impact COVID-19 will have on its operating activities.

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").

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.

2 Summary of significant accounting policies *(continued)*

(a) Basis of presentation *(continued)*

(iii) Restricted - Donor Advised Fund

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

(iv) Restricted - 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, Donor Advised, and 312 Main Street Project fund contributions are recognized as revenue of their respective funds 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

Net investment income that is not externally restricted is recognized as it is earned in the unrestricted fund. Externally restricted net investment income is recognized as it is earned in the restricted fund in which it relates, or if there is no appropriate restricted fund, in the appropriate deferred contribution balance or Unrestricted fund depending on the nature of the restriction.

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 also measures 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, money market investments with original maturities of three months or less and which are readily convertible into cash, and cash subject to restrictions which are not externally restricted (Note 4).

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 |
| Leasehold improvements | Term of the lease |

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

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.

(f) Verified emissions reductions

The GVCAF holds 7,331 tonnes (2020 - 10,236) of verified emissions reductions ("VERs") intended for sale. The VERs are captioned as investment in carbon offsets 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 funds 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 an allowance for impairment on these loans receivable (Note 7). Impairment losses are recorded as part of bad debt expense in the consolidated statement of operations.

(h) Contributed services

The Foundation receives various contributed services used in the normal course of operations that would otherwise have been purchased. As the fair market value of these contributed services cannot be reasonably measured they are not recognized in these consolidated financial statements.

(i) 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.

2. Summary of significant accounting policies *(continued)*

(j) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenue and expenses as at the end of or during the reporting period. Management believes that the estimates used are reasonable and prudent, however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of accounts receivable, 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 on the consolidated statement of operations is a $41,091 (2020 - $55,986) gain from the sale of VERs during the year.

4. RESTRICTED CASH

Restricted cash consists of the following:

| | 2021 | 2020 |
|---|---|---|
| Restricted Cash - Donor Advised | $ 2,539,752 | $ 2,844,673 |
| Restricted Cash - GVCAF | 3,774,612 | 2,045,342 |
| Restricted Cash - City of Vancouver | 262,518 | 251,270 |
| | $ 6,576,882 | $ 5,141,285 |

## 5 INVESTMENTS

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Market Value | Cost | Market Value | Cost |
| Term deposits | $ 6,138,271 | $ 6,138,271 | $ 6,122,826 | $ 6,100,000 |
| Marketable equity securities | - | - | 5,743,581 | 3,370,733 |
| Mutual funds | 55,376,451 | 45,439,311 | 46,145,451 | 37,684,036 |
| Government and corporate bonds | - | - | 1,626,811 | 1,519,714 |
| Investments at fair value | 61,514,722 | 51,577,582 | 59,638,669 | 48,674,483 |
| Community development lending | 415,402 | 415,402 | 424,685 | 424,685 |
| Impact equity, at cost | 1,546,511 | 1,546,511 | 992,020 | 992,020 |
| | $ 63,476,635 | $ 53,539,495 | $ 61,055,374 | $ 50,091,188 |

Included in investments are short-term restricted investments of $815,771 (2020 - $Nil), long-term investments of $325,000 (2020 - $304,797) and long-term restricted investments of $62,335,864 (2020 - $60,750,577). All investments are ethically screened. The Foundation's investment policies require that no more than 10% shall be invested in equity issues of any one corporation, and must be diversified across at least seven of 11 GICS sectors, no more than 10% invested in the debt issues of any issuers, except guaranteed by the Government of Canada or a Province of Canada having a credit rating of at lest "A+" per DBRS or other major rating agency.

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 carried at cost, not publicly traded, and fair market value is not readily determinable.

## 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.

6. 312 MAIN STREET PROJECT *(continued)*

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, 2020 or 2021. The original amount of the prepaid lease of $2,465,069 was 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.

Amortization of prepaid lease

The Centre obtained partial occupancy permits of the building during 2018 through 2021 allowing the use of the basement and the first to the fourth floor. Accordingly, VCF has recognized amortization of the prepaid lease as follows:

| | 2021 | 2020 |
|---|---|---|
| Prepaid lease, beginning of year | **2,090,900** | 2,222,960 |
| Amount recognized during the year in the consolidated statement of operations under rent expense | **(132,060)** | (132,060) |
| | **1,958,840** | 2,090,900 |
| Current portion of prepaid lease | (132,060) | (132,060) |
| Prepaid lease, end of year | **1,826,780** | 1,958,840 |

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 $52,775 (2020 - $55,941) and program management fee revenue of $53,268 (2020 - $56,464) 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 2021, VCF incurred development expenses of $144,519 (2020 - $461,170) related to the Centre, of which $63,169 (2020 - $460,073) is recognized in the consolidated statement of operations as an expense in the 312 Main Street restricted fund and $81,350 (2020 - $1,097) have been capitalized as leasehold improvements on the consolidated statement of financial position. The Centre was completed in 2021 and started generating an operating surplus by the end of 2021. However the third phase of the original agreement, which consisted of the main side of the fourth, fifth, and sixth floor of the building, has been put on hold with no current plans for completion. The total outstanding construction costs on this project are currently indeterminable.

## 7. LOANS RECEIVABLE

The loans receivable balance consists of:

| | 2021 | 2020 |
|---|---|---|
| Program-related investment loans | $ 340,000 | $ 345 000 |
| GVCAF loans | 20,711,845 | 17,470,037 |
| GVCAF loans - allowance for impairment | (350,000) | (758,672) |
| | 20,701,845 | 17,056,365 |
| Less current portion | (1,594,320) | (1,005,000) |
| | $ 19,107,525 | $ 16,051,365 |

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 the Restricted - Donor Advised fund.

The GVCAF and program-related investment loans receivable maturing between 2022 and 2026 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 $117,576 (2020 - $614,026) 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.

## 8. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2021 Net book value | 2020 Net book value |
|---|---|---|---|---|
| Furniture and fixtures | $ 1,329,921 | $ 864,672 | $ 465,249 | $ 722,588 |
| Computer hardware | 25,043 | 25,043 | - | 5,501 |
| Leasehold improvements | 116,707 | 13,376 | 103,331 | 37,725 |
| | $ 1,471,671 | $ 903,091 | $ 568,580 | $ 765,814 |

## 9. DEMAND LOAN

On April 25, 2017, the Foundation obtained a $2,000,000 operating demand loan from Vancouver City Savings Credit Union ("Vancity") for the purpose of assisting with tenant improvements to the 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 balance drawn at December 31, 2021 was $881,467 (2020 - $944,808).

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, 2021, the Foundation was in compliance with the covenant (2020 - in compliance with the covenant).

## 10. NOTES PAYABLE

| | 2021 | 2020 |
|---|---|---|
| Promissory note due to Nancy Hawkins and Bill Bargeman, bearing interest at 1.5%, unsecured and due on September 30, 2024 with option to renew. Repayment of the principal is expected through a single balloon payment, representing all principal and interest owing, before the maturity date. The note payable is also due on demand, at the request of the lender. | $ 500,000 | $ 500,000 |
| Promissory note due to the North Family Foudation, bearing interest at 3% per annum, unsecured and due on October 21, 2023 with option to renew. Repayment of the principal is expected through a single balloon payment, representing all principal and interest owing, before the maturity date. The note payable is also due on demand, at the request of the lender. | 500,000 | 500,000 |
| Promissory note due to Nancy Hawkins and Bill Bargeman, bearing interest at 1.5%, unsecured and due on September 30, 2025 with option to renew. Repayment of the principal is expected through a single balloon payment, representing all principal and interest owing, before the maturity date. The note payable is also due on demand, at the request of the lender. | 400,000 | 400,000 |
| Promissory note due to Interior Savings Credit Union, non-interest bearing, unsecured and due on June 30, 2025 with option to renew. Repayment of the principal is expected through a single balloon payment, representing all principal and interest owing, before the maturity date. The note payable is also due on demand, at the request of the lender. | 100,000 | 100,000 |
| Promissory note due to Real Estate Foundation of British Columbia, bearing interest at 3% per annum, unsecured and due on October 4, 2026 with option to renew. Repayment of the pricipal is expected through a single ballon payament, representing all principal and interest owing, before the maturity date. The note payable is also due on demand, at the request of the lender. | 250,000 | - |

10. NOTES PAYABLE *(continued)*

| | 2021 | 2020 |
|---|---|---|
| Promissory note due to Victoria Foundation, bearing interest at 3% per annum, unsecured and due on November 22, 2024 with option to renew. Repayment of the pricipal is expected through a single ballon payament representing all principal and interest owing, before the maturity date. The note payable is also due on demand, at the request of the lender. | **2,000,000** | - |
| Promissory note due to Co-operators Community Fund, bearing interest at 3% per annum, unsecured and due on December 15, 2024 with option to renew. Repayment of the pricipal is expected through a single ballon payament, representing all principal and interest owing, before the maturity date. The note payable is also due on demand, at the request of the lender. | **125,000** | - |
| Promissory note due to Delano-Stephens Investments LTD, bearing interest at 3% per annum, unsecured and due on May 12, 2024 with option to renew. Repayment of the pricipal is expected through a single ballon payament, representing all principal and interest owing, before the maturity date. The note payable is also due on demand, at the request of the lender. | **250,000** | - |
| | **$ 4,125,000** | $ 1,500,000 |

Principal repayment over the next five years are anticipated to be:

| | |
|---|---|
| 2022 | $ - |
| 2023 | 500,000 |
| 2024 | 2,875,000 |
| 2025 | 500,000 |
| 2026 | 250,000 |
| | $ 4,125,000 |

## 11. DEFERRED CONTRIBUTIONS

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

| | 2020 | Contributions received | Amortized to revenue | 2021 |
|---|---|---|---|---|
| Equalizing Opportunities | $ 1,230,888 | $ - | $ (596,167) | $ **634,721** |
| Reaching Home | - | 27,429,027 | (26,203,014) | **1,226,013** |
| Rent Bank | 8,655,460 | - | (1,750,548) | **6,904,912** |
| Other | 415,396 | 175,370 | (319,030) | **271,736** |
| Subtotal | 10,301,744 | 27,604,397 | (28,868,759) | **9,037,382** |
| Less: current portion | (3,296,832) | - | - | **(3,924,366)** |
| | $ 7,004,912 | - | - | $ **5,113,016** |

## 12. INVESTMENT INCOME

| | 2021 | 2020 |
|---|---|---|
| Capital gains | $ **4,505,828** | $ 3,181,096 |
| Dividend income | **50,237** | 156,840 |
| Interest earned, net | **1,146,450** | 1,352,256 |
| Foreign exchange gain | **103,227** | 28,502 |
| | $ **5,805,742** | $ 4,718,694 |

## 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 $810,532 (2020 - $733,602) which relate to administrative fees paid in the amount of $592,554 (2020 - $503,566) and grants funding paid in the amount of $217,978 (2020 - $230,036). The Restricted - Main Street VCF fund transferred funds to the Unrestricted fund in the amount of $1,250 (2020 - $Nil) which relate to administrative fees.

## 14. SALARIES AND RELATED BENEFITS

Salaries and benefits expense for the year includes fourteen employees that each earned over $75,000, for a total of $1,551,536 (2020 - fifteen employees, for a total of $1,590,105).

15. RELATED PARTY TRANSACTIONS

Vancouver City Savings Credit Union

The Foundation's certain 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 2021, Vancity provided 6.7% (2020 - 5.8%) of the Foundation's total revenue.

The Foundation has available an operating demand loan facility of up to $2,000,000 from Vancity (Note 9) of which the balance drawn at December 31, 2021 was $881,467 (2020 - $944,808).

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 to be repaid in November 2018. The repayment of the loan has not yet occurred and as a result, the Foundation may be obligated to repay the $4M contribution to Vancity.

The Foundation has balances due from and due to Vancity as follows: included in interest receivable is an amount of $13,690 (2020 - $57,205) due from Vancity and included in accounts payable is an amount of $149,597 (2020 - $21,392) due to Vancity.

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

| | 2021 | 2020 |
|---|---|---|
| Operating expenses | $ **186,226** | $ 195,454 |
| Interest payments | **39,115** | 39,309 |
| Write-off of loans included in bad debts | **326,727** | 124,428 |
| | $ 552,068 | $ 359,191 |
| The Foundation received contributions from Vancity which were allocated as follows: | | |
| Restricted - Flow Through - VCF | $ **374,260** | $ 1,296,556 |
| Restricted - Flow Through - GVCAF | **2,210,500** | 595,124 |
| Unrestricted - annual operating contribution | **350,000** | 350,000 |
| Unrestricted - programs | **40,000** | 145,000 |
| Unrestricted - other contributions | **99,617** | 101,871 |
| | $ 3,074,377 | $ 2,488,551 |

15. RELATED PARTY TRANSACTIONS *(continued)*

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. in the amount of $113,188 (2020 - $141,870). The Foundation also has a balance owing to Vancity Investment Management Ltd. in the amount of $39,201 (2020 - $37,435) which is included in accounts payable in the statement of financial position.

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.

16. 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 Foundation's financial instruments risks have not been impacted due to the COVID-19 pandemic considering there was no significant impact to the Foundation's operations. There have been no significant changes in risk exposure or concentration of risk from prior year.

The carrying amount of financial assets measured at amortized cost is $51,577,582 as at December 31, 2021 (2020 - $48,674,483). The carrying amount of financial assets measured at fair value is $61,514,722 as at December 31, 2021 (2020 - $59,638,669).

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 of 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, 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.

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 notes payable. The Foundation mitigates liquidity risk by maintaining a significant cash balance and marketable securities which are easily convertible to cash if necessary. 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 9).

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.

16. FINANCIAL INSTRUMENTS RISKS *(continued)*

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 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 not exposed to currency risk on its investment in USD and global equity securities valued at $Nil (USD $Nil) (2020 - $2,495,076 (USD $1,959,689)). 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 has a floating rate revolving demand facility debt which is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in the lender's prime rate. The interest rate on the revolving demand facility is disclosed in Note 9.

The Foundation also has fixed rate notes payable which are subject to interest rate cash flow risk if they are renewed. The interest rate on the notes payable is disclosed in Note 10.

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

Concentration of risk and economic dependence

The Foundation's contribution base is concentrated as 63.8% (2020 - 60.2%) of the Foundation's revenue is received from the top two contributors (2020 - two contributors). Of these contributions, $16,985,307 (2020 - $18,238,977) is funding received due to COVID-19. The Foundation's management does not anticipate a disruption in contributions from its top two contributors as a result of COVID-19.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassification does not have an effect on the total assets, total liabilities, net assets or excess of revenue over disbursements for the year previously reported.