
**VANCITY COMMUNITY FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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, 2020, 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, 2020, 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.

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.

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 8, 2021


VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 10,904,611	\$ 13,994,092
Accounts receivable	167,441	94,197
Interest receivable	10,601	22,718
Grants receivable	47,214	284,389
GST receivable	19,044	11,915
Investment in carbon offsets (Note 3)	91,665	127,342
Restricted investments (Note 5)	-	249,900
Prepaid expenses	46,872	54,577
Current portion of prepaid lease (Note 6)	132,060	132,060
Current portion of loans receivable (Note 7)	1,005,000	760,000
	12,424,508	15,731,190
RESTRICTED CASH (Note 4)	5,141,285	7,323,481
INVESTMENTS (Note 5)	304,797	1,021,701
RESTRICTED INVESTMENTS (Note 5)	60,750,577	52,465,610
PREPAID LEASE (Note 6)	1,958,840	2,090,900
LOANS RECEIVABLE (Note 7)	16,051,365	8,487,000
ART COLLECTION (Note 8)	-	32,550
CAPITAL ASSETS (Note 9)	765,814	1,075,155
	\$ 97,397,186	\$ 88,227,587

VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
LIABILITIES		
CURRENT		
Demand loan (Note 10)	\$ 944,808	\$ 554,414
Accounts payable and accrued liabilities	516,749	408,396
Government remittances payable	2,426	10,830
Security deposits	97,147	89,500
Deferred rent	60,157	22,601
Grants payable	3,997,102	814,157
Notes payable (Note 11)	1,500,000	500,000
Current portion of deferred contributions (Note 12)	10,201,744	9,545,921
	17,320,133	11,945,819
DEFERRED CONTRIBUTIONS (Note 12)	100,000	4,606,731
	17,420,133	16,552,550
COMMITMENTS (Note 6)		
CONTINGENT LIABILITY (Note 16)		
FUND BALANCES		
UNRESTRICTED	8,250,930	6,420,308
RESTRICTED - FLOW THROUGH	17,622,628	15,803,606
RESTRICTED - DONOR ADVISED	60,883,398	55,287,593
RESTRICTED - MAIN STREET - VCF	(6,146,448)	(4,946,606)
RESTRICTED - 312 MAIN STREET - CITY OF VANCOUVER	(633,455)	(889,864)
	79,977,053	71,675,037
	\$ 97,397,186	\$ 88,227,587

Approved on behalf of the Board



Director



Director

**VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Unrestricted	Restricted - Flow Through	Restricted - Donor Advised	Restricted - Main Street VCF	Restricted - 312 Main Street City of Vancouver	2020	2019
FUND BALANCES, BEGINNING OF YEAR	\$ 6,420,308	\$ 15,803,606	\$ 55,287,593	\$ (4,946,606)	\$ (889,864)	\$ 71,675,037	\$ 61,111,282
Excess (deficiency) of revenue over disbursements for the year	1,097,020	1,819,022	6,329,407	(1,199,842)	256,409	8,302,016	10,563,755
Interfund transfers (Note 14)	733,602	-	(733,602)	-	-	-	-
FUND BALANCES, END OF YEAR	\$ 8,250,930	\$ 17,622,628	\$ 60,883,398	\$ (6,146,448)	\$ (633,455)	\$ 79,977,053	\$ 71,675,037

**VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Unrestricted	Restricted - Flow Through	Restricted - Donor Advised	Restricted - 312 Main Street VCF	Restricted - 312 Main Street City of Vancouver	2020	2019
REVENUE							
Community development lending interest	\$ 28,703	\$ 621,897	\$ -	\$ -	\$ -	\$ 650,600	\$ 46,077
Contributions (Note 6)	34,609,878	4,476,901	2,475,717	-	-	41,562,496	23,475,884
Investment income (loss) (Note 13)	62,001	124,269	4,535,390	(3,917)	951	4,718,694	2,911,062
Programs	920,758	-	-	-	-	920,758	217,182
Property and program management income (Note 6)	-	-	-	112,406	-	112,406	119,150
Rental income	-	-	-	455,330	1,284,959	1,740,289	1,588,451
Unrealized change in market value of investments	(22,405)	-	4,083,808	-	-	4,061,403	4,502,995
	35,598,935	5,223,067	11,094,915	563,819	1,285,910	53,766,646	32,860,801
ADMINISTRATIVE AND PROGRAM EXPENSES							
Amortization of capital assets	60,549	-	-	216,730	-	277,279	240,455
Bad debts (Note 7)	25,000	589,026	-	1,824	5,001	620,851	290,978
Board governance	9,224	-	-	-	-	9,224	23,215
Building expense (Note 6)	41,276	-	-	114,273	773,304	928,853	1,184,407
Charitable programs	-	-	-	-	-	-	14,153
Conferences	107,121	750	-	1,200	-	109,071	128,675
Insurance	-	-	-	-	61,254	61,254	112,482
Interest and bank charges	-	11,127	-	37,702	134	48,963	36,955
Investment management fees	4,769	-	180,855	-	-	185,624	200,608
312 Main Street project (Note 6)	-	-	-	460,073	-	460,073	1,008,483
Marketing	21,431	-	-	100	-	21,531	30,609
Meetings	17,479	-	-	293	-	17,772	49,996
Memberships	4,740	-	-	2,146	-	6,886	9,064
Miscellaneous	11,361	-	5,784	-	-	17,145	21,382
Professional fees	1,112,719	23,328	-	32,606	1,000	1,169,653	1,102,367
Publications	6,622	-	-	45	-	6,667	20,540
Rent	-	-	-	468,483	-	468,483	251,210
Research and training	4,560	-	-	-	-	4,560	7,088
Salaries and related benefits (Note 15)	2,331,810	-	-	390,939	59,822	2,782,571	2,911,852
Special events	42,759	1,500	-	383	166	44,808	366,900
Supplies	8,358	294	-	13,629	531	22,812	41,430
Travel and accommodation	8,067	-	-	538	-	8,605	50,310
Utilities	44,896	-	-	18,309	128,289	191,494	180,510
Website and IT	203,802	840	-	4,388	-	209,030	58,979
	4,066,543	626,865	186,639	1,763,661	1,029,501	7,673,209	8,342,648
NET REVENUE BEFORE GRANT DISBURSEMENTS	31,532,392	4,596,202	10,908,276	(1,199,842)	256,409	46,093,437	24,518,153
GRANT DISBURSEMENTS	(30,435,372)	(2,777,180)	(4,578,869)	-	-	(37,791,421)	(13,954,398)
EXCESS (DEFICIENCY) OF REVENUE OVER DISBURSEMENTS FOR THE YEAR	\$ 1,097,020	\$ 1,819,022	\$ 6,329,407	\$ (1,199,842)	\$ 256,409	\$ 8,302,016	\$ 10,563,755

VANCITY COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenue over disbursements for the year	\$ 8,302,016	\$ 10,563,755
Items not affecting cash:		
Amortization of capital assets	277,279	240,455
Amortization of prepaid lease	132,060	242,110
Unrealized change in market value of investments	(4,061,403)	(4,502,995)
	4,649,952	6,543,325
Changes in non-cash working capital:		
Accounts receivable	(73,244)	1,187,383
Interest receivable	12,117	(1,493)
Grants receivable	237,175	1,725,611
GST receivable	(7,129)	152,136
Prepaid expenses	7,705	(54,577)
Accounts payable and accrued liabilities	118,355	(1,163,647)
Government remittances payable	(8,404)	4,917
Security deposits	7,647	9,910
Prepaid lease	-	132,060
Deferred rent	37,556	(1,281)
Grants payable	3,182,945	709,157
Deferred contributions	(3,850,908)	10,049,928
	(336,185)	12,750,104
	4,313,767	19,293,429
INVESTING ACTIVITIES		
Advances of loans receivable	(7,819,366)	(4,490,001)
Proceeds from sale of capital assets	33,160	-
Purchase of capital assets	(1,097)	(364,160)
Investments and restricted investments, net	(3,280,197)	(3,061,957)
Proceeds from sale (purchase) of carbon offsets	91,662	(127,520)
	(10,975,838)	(8,043,638)
FINANCING ACTIVITIES		
Proceeds from notes payable	1,000,000	500,000
Restricted cash	2,182,196	99,045
Demand loan, net	390,394	(906,479)
	3,572,590	(307,434)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(3,089,481)	10,942,357
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	13,994,092	3,051,735
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 10,904,611	\$ 13,994,092

VANCITY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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.

In March 2020, a global health pandemic was declared due to the COVID-19 virus, which 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.

VANCITY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 in the Unrestricted fund.

VANCITY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 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).

VANCITY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

(e) Capital assets

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

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

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

The Foundation'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 10,236 tonnes (2019 - 14,220) 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 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 in the consolidated statement of operations.

(h) Art collection

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

(i) Contributed services

The Foundation receives various contributed services 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.

(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.

VANCITY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

(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 on the consolidated statement of operations is a \$55,986 (2019 - \$64,226) gain from the sale of VERs during the year.

4. RESTRICTED CASH

Restricted cash consists of the following:

	2020	2019
Restricted Cash - Donor Advised	\$ 2,844,673	\$ 3,091,052
Restricted Cash - GVCAF	2,045,342	4,110,867
Restricted Cash - City of Vancouver	251,270	121,562
	\$ 5,141,285	\$ 7,323,481

**VANCITY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

5. INVESTMENTS

	2020		2019	
	Market Value	Cost	Market Value	Cost
Term deposits	\$ 6,122,826	\$ 6,100,000	\$ 2,027,655	\$ 2,024,547
Marketable equity securities	5,743,581	3,370,733	6,974,751	4,493,557
Mutual funds	46,145,451	37,684,036	40,207,462	35,866,719
Government and corporate bonds	1,626,811	1,519,714	3,241,875	3,201,126
Investments at fair value	59,638,669	48,674,483	52,451,743	45,585,949
Community development lending	424,685	424,685	433,811	433,811
Impact equity, at cost	992,020	992,020	851,657	851,657
	\$ 61,055,374	\$ 50,091,188	\$ 53,737,211	\$ 46,871,417

Included in investments are short-term restricted investments of \$Nil (2019 - \$249,900), long-term investments of \$304,797 (2019 - \$1,021,701) and long-term restricted investments of \$60,750,577 (2019 - \$52,465,610). 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 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.

VANCITY COMMUNITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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. 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.

Amortization of prepaid lease

The Centre obtained partial occupancy permits of the building during 2018 and 2019, allowing the use of the basement and the first to the fourth floor. Accordingly, VCF has recognized amortization of the prepaid lease as follows:

	2020	2019
Prepaid lease, beginning of year	2,222,960	2,355,020
Amount recognized during the year in the consolidated statement of operations under rent expense	(132,060)	(132,060)
Current portion of prepaid lease	(132,060)	(132,060)
Prepaid lease, end of year	1,958,840	2,090,900

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.

VANCITY COMMUNITY FOUNDATION
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6. 312 MAIN STREET PROJECT (continued)

In connection with the property management services and programming services agreements described above, VCF recognized property management fee revenue of \$59,298 (2019 - \$59,298) and program management fee revenue of \$59,852 (2019 - \$59,852) 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 2020, VCF incurred development expenses of \$461,170 (2019 - \$1,051,947) related to the Centre, of which \$460,073 (2019 - \$1,008,483) is recognized in the consolidated statement of operations as an expense in the 312 Main Street restricted fund and \$1,097 (2019 - \$43,464) have been capitalized as leasehold improvements on the consolidated statement of financial position. The Centre is anticipated to be completed in 2021 and is expected to start 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.

During 2021, VCF anticipates development expenses of approximately \$1,200,000 related to ongoing construction and building upgrades. As these costs are shared with the police annex, the majority is anticipated to be reimbursed by the City of Vancouver. In the current year, 80% of these costs were reimbursed by the City of Vancouver.

VANCITY COMMUNITY FOUNDATION
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7. LOANS RECEIVABLE

The loans receivable balance consists of:

	2020	2019
Program-related investment loans	\$ 345,000	\$ 645,000
GVCAF loans	17,470,037	9,360,672
GVCAF loans - allowance for impairment	(758,672)	(758,672)
	17,056,365	9,247,000
Less: current portion	(1,005,000)	(760,000)
	\$ 16,051,365	\$ 8,487,000

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 2021 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 \$614,026 (2019 - \$250,000) 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.

8. ART COLLECTION

The Foundation's art collection was comprised of original art work from Canadian artists. The Foundation's collection was acquired in 2016 by way of gift. During the year, the Foundation donated the artwork to the Jim Green Foundation, and accordingly no longer holds any art collection at the end of the fiscal year.

9. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Furniture and fixtures	\$ 1,322,411	\$ 599,823	\$ 722,588	\$ 994,510
Computer hardware	25,043	19,542	5,501	13,849
Equipment	-	-	-	21,338
Leasehold improvements	42,867	5,142	37,725	45,458
	\$ 1,390,321	\$ 624,507	\$ 765,814	\$ 1,075,155

VANCITY COMMUNITY FOUNDATION
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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 balance drawn at December 31, 2020 was \$944,808 (2019 - \$554,414).

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, 2020, the Foundation was in compliance with the covenant (2019 - in compliance with the covenant).

11. NOTES PAYABLE

	2020	2019
Promissory note due to Nancy Hawkins ad 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	-
Promissory note due to Nancy Hawkins ad 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	-
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	-
	\$ 1,500,000	\$ 500,000

VANCITY COMMUNITY FOUNDATION
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11. NOTES PAYABLE (*continued*)

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

2021	\$ -
2022	-
2023	500,000
2024	500,000
2025	500,000
	<u>\$ 1,500,000</u>

12. DEFERRED CONTRIBUTIONS

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

	2019	Contributions received	Amortized to revenue	2020
Equalizing Opportunities	\$ 2,619,511	\$ -	\$ (1,388,623)	\$ 1,230,888
Reaching Home	1,662,259	28,371,800	(30,034,059)	-
Rent Bank	9,560,097	235,432	(1,140,069)	8,655,460
Other	310,785	285,396	(180,785)	415,396
Subtotal	14,152,652	28,892,628	(32,743,536)	10,301,744
Less: current portion	(9,545,921)	-	-	(10,201,744)
	\$ 4,606,731	-	-	\$ 100,000

13. INVESTMENT INCOME

	2020	2019
Capital gains	\$ 3,181,096	\$ 1,566,397
Dividend income	156,840	178,574
Interest earned, net	1,352,256	1,310,218
Foreign exchange gain (loss)	28,502	(144,127)
	<u>\$ 4,718,694</u>	<u>\$ 2,911,062</u>

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 \$733,602 (2019 - \$675,359) which relate to administrative fees paid in the amount of \$503,566 (2019 - \$491,386) and grants funding paid in the amount of \$230,036 (2019 - \$183,973).

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15. SALARIES AND RELATED BENEFITS

Salaries and benefits expense for the year includes fifteen employees that each earned over \$75,000, for a total of \$1,590,105 (2019 - twelve employees, for a total of \$1,276,335).

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 2020, Vancity provided 5.8% (2019 - 27.9%) of the Foundation's total revenue.

The Foundation has available an operating demand loan facility of up to \$2,000,000 from Vancity (Note 10) of which the balance drawn at December 31, 2020 was \$944,808 (2019 - \$554,414).

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 grants receivable is an amount of \$Nil (2019 - \$25,000) due from Vancity, included in interest receivable is an amount of \$57,205 (2019 - \$Nil) due from Vancity and included in accounts payable is an amount of \$21,392 (2019 - \$8,555) due to Vancity.

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

	2020	2019
Operating expenses	\$ 195,454	\$ 338,357
Interest payments	39,309	36,038
Write-off of loans included in loan loss reserves	124,428	213,430
	\$ 359,191	\$ 587,825

The Foundation received contributions from Vancity which were allocated as follows:

Restricted - Flow Through - VCF	\$ 1,296,556	\$ 2,883,359
Restricted - Flow Through - GVCAF	595,124	822,415
Unrestricted - annual operating contribution	350,000	350,000
Unrestricted - programs	145,000	125,000
Unrestricted - other contributions	101,871	290,319
Restricted - 312 Main Street Project	-	2,050,000
Unrestricted - Affordable Housing Loan Funds	-	2,432,500
Restricted - Donor Advised funds	-	270,000
	\$ 2,488,551	\$ 9,223,593

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16. 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. an the amount of \$141,870 (2019 - \$148,363). The Foundation has balances due from and due to Vancity Investment Management Ltd. as follows: included in accounts receivable is an amount of \$Nil (2019 - \$2,509) due from Vancity Investment Management Ltd. and included in accounts payable is an amount of \$37,435 (2019 - \$1,465) 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 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 \$37,758,517 as at December 31, 2020 (2019 - \$35,775,843). The carrying amount of financial assets measured at fair value is \$59,638,669 as at December 31, 2020 (2019 - \$52,451,743).

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 10).

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.

VANCITY COMMUNITY FOUNDATION
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17. 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 exposed to currency risk on its investment in USD and global equity securities valued at \$2,495,076 (USD \$1,959,689) (2019 - \$3,859,172 (USD \$2,890,455)). The Foundation does not enter into hedge agreements as the total currency risk is within the allowable range of the Foundation's investment policy.

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 fixed rate notes payable which are subject to interest rate cash flow risk. The interest rate on the notes 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 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.

There is increased other price risk as a result of the COVID-19 health pandemic as explained in Note 1, however, the market has recovered during the year as demonstrated through the Foundation recognizing \$4,061,403 of unrealized gains in the market value of investments.

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17. FINANCIAL INSTRUMENTS RISKS *(continued)*

Concentration of risk and economic dependence

The Foundation's contribution base is concentrated as 60.2% (2019 - 50.2%) of the Foundation's revenue is received from the top two contributors (2019 - two contributors). Of these contributions, \$18,238,977 (2019 - \$Nil) 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.