

Financial statements

The YMCA of Greater Vancouver Foundation

December 31, 2016



Building a better
working world

Independent auditors' report

To the Trustees of
The YMCA of Greater Vancouver Foundation

Report on the financial statements

We have audited the accompanying financial statements of **The YMCA of Greater Vancouver Foundation**, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The YMCA of Greater Vancouver Foundation** as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by the *Society Act* of British Columbia, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Vancouver, Canada
April 24, 2017

Ernst & Young LLP

Chartered Professional Accountants



The YMCA of Greater Vancouver Foundation

Statement of financial position

As at December 31

| | 2016 | 2015 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Assets | | |
| Current | | |
| Cash | 351,343 | 146,174 |
| Other receivables | 222,756 | 275,059 |
| Prepaid expenses | 18,326 | 13,361 |
| Total current assets | 592,425 | 434,594 |
| Investments <i>[note 4]</i> | 13,021,349 | 7,839,389 |
| Property and equipment, net <i>[note 5]</i> | 10,677,138 | 11,438,918 |
| Total assets | 24,290,912 | 19,712,901 |
| Liabilities and net assets | | |
| Current | | |
| Accounts payable and accrued liabilities <i>[notes 3 and 9]</i> | 108,350 | 231,267 |
| Current portion of long-term debt <i>[note 6]</i> | 220,423 | 219,020 |
| Deferred revenue | 50,118 | 62,583 |
| Total current liabilities | 378,891 | 512,870 |
| Long-term debt <i>[note 6]</i> | 6,558,976 | 6,779,399 |
| Total liabilities | 6,937,867 | 7,292,269 |
| Net assets | | |
| Endowment Funds | 8,066,093 | 7,728,104 |
| Unrestricted | 5,389,213 | 260,495 |
| Internally restricted | 3,897,739 | 4,432,033 |
| Total net assets | 17,353,045 | 12,420,632 |
| Total liabilities and net assets | 24,290,912 | 19,712,901 |

See accompanying notes

On behalf of the Board:



Trustee



Trustee

The YMCA of Greater Vancouver Foundation

Statement of operations

Year ended December 31

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| Revenue | | |
| Rental income <i>[note 3]</i> | 1,124,167 | 1,078,068 |
| Investment income <i>[note 4]</i> | 187,097 | 292,668 |
| Income from funds administered by the Vancouver Foundation | | |
| The YMCA of Greater Vancouver Designated Fund <i>[note 7]</i> | 86,378 | 82,069 |
| Guy Flavelle Memorial Fund <i>[note 7]</i> | 30,067 | 28,624 |
| Chilliwack Family YMCA Endowment Fund <i>[note 7]</i> | 7,752 | 7,344 |
| J.D. Wilson Charitable Trust <i>[note 7]</i> | 523 | 497 |
| Donations | 19,272 | 22,488 |
| Other income | 18,439 | 18,542 |
| | 1,473,695 | 1,530,300 |
| Expenses | | |
| Grants to | | |
| The YMCA of Greater Vancouver <i>[note 3]</i> | 491,749 | 533,961 |
| What Really Matters Capital Campaign <i>[note 3]</i> | 200,000 | — |
| Camp Elphinstone <i>[note 3]</i> | — | 200,000 |
| Other grants | 9,053 | 8,970 |
| Administration fee to the YMCA of Greater Vancouver <i>[note 3]</i> | 145,000 | 144,996 |
| Net recovery on common area leased property costs | | |
| Cost recovery | (455,802) | |
| Property costs incurred | 379,973 | (35,552) |
| Office, legal, professional and contract services | 59,545 | 145,505 |
| Insurance premiums | 24,091 | 23,491 |
| Promotion | 9,282 | 6,242 |
| Meetings, conferences and travel expenses | 7,092 | 13,532 |
| Property tax, utilities, occupancy and other expenses | 3,075 | 4,272 |
| Interest expense <i>[note 6]</i> | 259,407 | 266,722 |
| Recovery of commodity tax rebate | (31,485) | (29,408) |
| | 1,100,980 | 1,282,731 |
| Excess of revenue over expenses before amortization and unrealized investment gain | 372,715 | 247,569 |
| Amortization of property and equipment | (233,279) | (218,856) |
| Gain on sale of land <i>[note 5]</i> | 4,350,698 | — |
| Unrealized investment gain <i>[note 4]</i> | 180,463 | 492,301 |
| Excess of revenue over expenses for the year | 4,670,597 | 521,014 |

See accompanying notes

The YMCA of Greater Vancouver Foundation

Statement of changes in net assets

Year ended December 31

| | 2016 | | | 2015 | |
|--|--------------------------|----------------------------|--|-------------------|-------------------|
| | Endowment funds \$ | Unrestricted fund \$ | Internally restricted fund \$ | Total \$ | Total \$ |
| Net assets, beginning of year | 7,728,104 | 260,495 | 4,432,033 | 12,420,632 | 11,300,241 |
| Excess (deficiency) of revenue over expenses for the year | 76,173 | 4,827,703 | (233,279) | 4,670,597 | 521,014 |
| Endowment contributions and bequests | 261,816 | — | — | 261,816 | 599,377 |
| Transfer (from) to internally restricted fund | — | 301,015 | (301,015) | — | — |
| Net assets, end of year | 8,066,093 | 5,389,213 | 3,897,739 | 17,353,045 | 12,420,632 |

See accompanying notes

The YMCA of Greater Vancouver Foundation

Statement of cash flows

Year ended December 31

| | 2016 | 2015 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Operating activities | | |
| Excess of revenue over expenses for the year | 4,670,597 | 521,014 |
| Add (deduct) non-cash items | | |
| Unrealized investment gain | (180,463) | (492,301) |
| Gain on sale of land | (4,350,698) | — |
| Amortization of property rent receivable | 23,247 | (63,495) |
| Amortization of property and equipment | 233,279 | 218,856 |
| | <u>395,962</u> | <u>184,074</u> |
| Net change in non-cash working capital balances related to operations | | |
| Accrued interest and other receivables | 29,059 | (66,296) |
| Prepaid expenses | (4,965) | (1,438) |
| Accounts payable and accrued liabilities | (114,452) | 81,885 |
| Deferred revenue | (12,465) | 36,156 |
| Cash provided by operating activities | <u>293,139</u> | <u>234,381</u> |
| Investing activities | | |
| Increase in investments | (5,017,607) | (560,247) |
| Proceeds on sale of land | 4,901,806 | — |
| Purchase of property and equipment | (14,965) | (619,075) |
| Cash used in investing activities | <u>(130,766)</u> | <u>(1,179,322)</u> |
| Financing activities | | |
| Receipt of endowment contributions and bequests | 261,816 | 599,377 |
| Repayment of long-term debt | (219,020) | (211,002) |
| Cash provided by financing activities | <u>42,796</u> | <u>388,375</u> |
| Net increase (decrease) in cash during the year | 205,169 | (556,566) |
| Cash, beginning of year | 146,174 | 702,740 |
| Cash, end of year | <u>351,343</u> | <u>146,174</u> |

See accompanying notes

The YMCA of Greater Vancouver Foundation

Notes to financial statements

December 31, 2016

1. Purpose of organization and basis of presentation

The YMCA of Greater Vancouver Foundation [the "Foundation"] is an organization incorporated under the *Society Act* of British Columbia and is a registered public foundation under the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes. The Foundation is currently in the process of transitioning to the new *Societies Act* of British Columbia and this is expected to be ratified at the 2016 Annual General Meeting. The Foundation was incorporated in 2009 to attract charitable gifts to support the YMCA of Greater Vancouver ["YMCA"] in building strong kids, strong families and strong communities – today and tomorrow. The by-laws of the YMCA provide that the Chair or designate also be a member of the YMCA's Board of Directors.

On July 1, 2015, the Endowment Fund of the Young Men's Christian Association Foundation of Greater Vancouver ["Endowment Fund"] transferred by way of a deed of gift all assets and liabilities to the Foundation. Because the Foundation and Endowment Fund were controlled by the same board of trustees, continuity of interest accounting was applied as the Foundation continued the work of the Endowment Fund. The 2015 statement of financial position represents the financial position of the Foundation. The results from January 1 to June 30, 2015 represent the operations of the Endowment Fund. The results from July 1 to December 31, 2015 represent the operations of the Foundation. No changes to the book values of assets and liabilities occurred as a result of the deed of gift.

2. Significant accounting policies

These financial statements were prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Organizations", which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies described hereafter.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions.

Restricted investment income is initially deferred and then recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Endowment contributions are recognized as direct increases in net assets.

Rental income is recognized on a monthly basis, when the Foundation has earned the rental income.

Income earned on funds held by the Vancouver Foundation [note 7] is recorded as revenue when earned.

Pledges, since they are not legally enforceable claims, are not recorded as revenue until the cash or related asset is received.

The YMCA of Greater Vancouver Foundation

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Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred. Investment income, which consists of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, is recorded as revenue in the statement of operations.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

Cash and cash equivalents

Cash and cash equivalents include all balances held at banks excluding overdraft amounts and any short-term investments, with an original maturity of less than three months from the date of purchase unless they are held for investment purposes rather than liquidity purposes, in which case they are classified as investments.

Properties under development

Properties under development are recorded at cost and are not amortized. When project construction is complete, the property under development project is transferred to the appropriate asset categories and amortized over its useful life.

Property and equipment

Property and equipment are recorded at cost for property purchased by the Foundation and at fair value at the time of donation for property and equipment donated.

The Foundation charges amortization on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|--------------------------------|---------------|
| Buildings and infrastructure | 32 years |
| Building equipment/improvement | 15 years |
| Camp furniture and equipment | 10 years |
| Tenant inducements | Life of lease |

Land is not amortized.

Use of estimates

the preparation of financial statements in conformity with Canadian accounting standards for not for profit organizations requires management to make estimates and assumptions that offer the amounts reported in the financial statement and accompanying notes. Management believe that the estimates utilized in preparing the financial statement are reasonable and prudent; however, actual results could differ from those estimates. To these financial statements, such estimates principally impact the period over which property and equipment is amortized.

The YMCA of Greater Vancouver Foundation

Notes to financial statements

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3. YMCA of Greater Vancouver

The YMCA is an independent charitable organization separately registered as a charity under the *Income Tax Act* (Canada) and incorporated under the *Society Act* of British Columbia. The YMCA is dedicated to the development of people in spirit, mind and body as well as the improvement of local, national and international communities.

In 2010, the Trustees of the Foundation committed to provide the Association \$600,000 over seven years for the purpose of building new lodges at Camp Elphinstone. This commitment was completed in 2015.

In April 2016, the Trustees of the Foundation committed to provide the Association \$3,000,000 over ten years for the purpose of creating four new centres of community in Surrey, Vancouver, Coquitlam and Chilliwack. As at December 31, 2016, \$200,000 of this commitment [2015 – nil] has been contributed by the Foundation with respect to the What Really Matters Capital Campaign.

In addition, the Foundation makes donations to the YMCA in accordance with donors' restrictions at the direction of the Foundation Trustees. During 2016, the Foundation provided grants of \$691,749 to the Association [2015 – \$733,961]. The Foundation reimbursed the YMCA for administration support services totalling \$145,000 [2015 – \$144,996]. In January 2015, the YMCA entered into a ten-year lease for lands and buildings owned by the Foundation. In July 2015, the YMCA entered into a 10-year lease for Camp Deka, which is owned by the Foundation [note 5]. For the year ended December 31, 2016, the Foundation charged the YMCA rent of \$301,630 [2015 – \$253,386].

As at December 31, 2016, \$15,299 [2015 – \$124,258] is payable to the YMCA and is included in accounts payable in respect of administrative costs and expenses not paid. The transactions are recorded at exchange amounts agreed and established between the YMCA and the Foundation.

4. Investments

In 2016, the proceeds of \$4,866,281 from the sale of the Langdale land were invested in a separate Mawer account called The YMCA of Greater Vancouver Foundation – Langdale New Westminster, and has a similar mix to other existing portfolio's held by the Foundation.

Investments are held as follows:

| | 2016 | 2015 |
|-----------------------------------|-------------------|------------------|
| | \$ | \$ |
| Mawer – Endowment [i] | 7,709,163 | 7,454,545 |
| Mawer – Literacy [ii] | 209,589 | 215,871 |
| Mawer – Langdale [iii] | 4,901,806 | — |
| North Growth Management Ltd. [iv] | 200,791 | 168,973 |
| | 13,021,349 | 7,839,389 |

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The unrealized investment gain on the portfolio was \$180,463 [2015 – \$492,301]. Investment income for the year was \$161,810 [2015 – \$264,221]. The realized gain for the year was \$13,645 [2015 – \$22,775]. Other interest income earned on cash accounts for the year was \$11,642 [2015 – \$5,672].

- [i] The 12-month rate of return at December 31, 2016 was 4.09% [2015 – 11.49%].
 [ii] The 12-month rate of return at December 31, 2016 was 4.04% [2015 – 11.49%].
 [iii] The 1-month rate of return at December 31, 2016 was 0.73% [2015 – nil].
 [iv] The 12-month rate of return at December 31, 2016 was 4.03% [2015 – 10.32%].

The investments comprise the following:

| | 2016 % | 2015 % |
|---------------------------|---------------|-----------|
| Money market | 3.10 | 6.21 |
| Fixed income | 33.40 | 32.34 |
| Equities and equity funds | 63.50 | 61.45 |
| | 100.00 | 100.00 |

5. Property and equipment

| | 2016 | | |
|----------------------------------|-------------------|-----------------------------|-------------------|
| | Cost | Accumulated amortization | Net book value |
| | \$ | \$ | \$ |
| Land [i] | 6,503,217 | — | 6,503,217 |
| Buildings and infrastructure [i] | 4,607,321 | 1,371,141 | 3,236,180 |
| Building equipment/improvement | 988,107 | 164,201 | 823,906 |
| Camp furniture and equipment | 74,994 | 74,994 | — |
| Tenant inducements | 173,317 | 59,482 | 113,835 |
| | 12,346,956 | 1,669,818 | 10,677,138 |
| | 2015 | | |
| | Cost | Accumulated amortization | Net book value |
| | \$ | \$ | \$ |
| Land [i] | 7,038,217 | — | 7,038,217 |
| Buildings and infrastructure [i] | 4,607,321 | 1,227,162 | 3,380,159 |
| Building equipment/improvement | 981,608 | 98,762 | 882,846 |
| Camp furniture and equipment | 74,994 | 74,994 | — |
| Tenant inducements | 173,317 | 35,621 | 137,696 |
| | 12,875,457 | 1,436,539 | 11,438,918 |

The YMCA of Greater Vancouver Foundation

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- [i] Land and buildings include 226.6 acres of undeveloped land in the Langdale area sold on September 30, 2016 for a gain of \$4,350,698, 90 acres of wilderness camp property on Deka Lake in the 100 Mile area leased to the YMCA [note 3], developed property in West Vancouver of 8,228 square feet currently leased to a bank, and developed property in Vancouver of 30,662 square feet currently leased to four tenants and the YMCA [note 3].

6. Long-term debt

The purchase of the property at 5055 Joyce Street, Vancouver was financed by two loan facilities: one of \$3,000,000, secured by the Joyce Street property, and one of \$4,750,000, secured by the Foundation property at 1705 Marine Drive, West Vancouver. The carrying amount of these collateralized assets as at December 31, 2016 was \$10,447,138 [2015 – \$10,673,917]. As at December 31, 2016, the outstanding balance payable on the loan facilities was \$6,779,399 [2015 – \$6,998,419] of which \$220,423 is repayable in 2017 and is shown as a current liability. The balance of \$6,558,976 is shown as long-term debt. The loan facilities bear interest at 3.8% per annum over a term of ten years maturing March 1, 2022. Interest on the loan facilities in the amount of \$259,407 [2015 – \$266,722] is recorded as interest expense. Repayments including principal and interest on the loan facilities in the next five years are approximately \$479,184 per annum based on a 25-year amortization period, repayable in monthly blended amounts of principal and interest.

7. Funds owned by the Vancouver Foundation

The undernoted funds are owned by the Vancouver Foundation and, accordingly, are not included as assets of the Foundation. The income from these funds has been allocated to the Foundation and is recorded in the statement of operations.

| | Share of investment income | 2016 Cost | 2015 Cost |
|---|----------------------------------|------------------|--------------|
| | % | \$ | \$ |
| The YMCA of Greater Vancouver Designated Fund | 100 | 1,392,500 | 1,392,500 |
| Guy Flavelle Memorial Fund | 17 | 2,296,936 | 2,296,936 |
| Chilliwack Family YMCA Endowment | 100 | 160,000 | 160,000 |
| J.D. Wilson Charitable Trust | 20 | 51,125 | 51,125 |
| | | 3,900,561 | 3,900,561 |

The YMCA of Greater Vancouver Foundation

Notes to financial statements

December 31, 2016

8. Financial instruments and risk management

The Foundation is exposed to various financial risks through transactions in financial instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's main credit risk relates to its other receivables. The Foundation derives revenue from donations and bequests, investments purchased in Canadian dollars and rental property located in Canada.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation has no difficulty in meeting obligations associated with its financial liabilities and accordingly is not exposed to liquidity risk.

Financial risk

Financial risk is the risk to the Foundation's results of operations that arise from fluctuations in equity valuations and foreign exchange rates and the degree of volatility of these rates. In managing these risks, the Foundation has established a target mix of investment mix types designed to achieve an optimal return within reasonable risk tolerances.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is management's opinion that the Foundation is not exposed to significant interest rate risk as the interest rate on the long term debt is fixed at 3.8% per annum.

Interest rate risk also exists with respect to fixed income investments that are managed by professional investment advisors.

Currency risk

The Foundation is not exposed to currency risk.

9. Government remittances

GST payable of \$10,712 [2015 – \$3,141] is included in accounts payable.

The YMCA of Greater Vancouver Foundation

Notes to financial statements

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10. British Columbia *Societies Act* disclosures

In accordance with the new *Societies Act* of British Columbia and its accompanying regulations, which were effective November 28, 2016, the following disclosures are required:

[a] Remuneration paid to directors

The directors of the Foundation receive no compensation as a result of their board position. From time to time, the Foundation carries out business transactions with suppliers of goods and services whose officers are also directors of the Foundation. During the year, these transactions amounted to \$8,267 [2015 – nil]. 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 and which, in management's opinion, is comparable to amounts that would have been paid to non-related parties. These transactions are subject to a regular review process.

[b] Remuneration paid to employees and contractors

The Foundation has no employees and no remuneration was paid to any contractor or employee in the year.

Contractors with more than five employees that provide regular services such as janitorial services have been excluded from the definition of a contractor for the purposes of the new disclosures.

11. Subsequent event – sale of Marine Drive property

On March 31, 2017, the Foundation completed sale of its 8,228 square foot developed rental property at 1705 Marine Drive, West Vancouver to a private unrelated company and paid out the outstanding mortgage on the site. As at December 31, 2016, the net book value of the land was \$1,900,001, the building was \$456,275 and the building equipment was \$13,002. The related mortgage of \$4,750,000 had an outstanding balance as at December 31, 2016 of \$4,155,145 with \$139,465 included in current liabilities and \$4,015,680 in long-term debt. The sole tenant of the property waived their first right of refusal and the sale completed for an agreed purchase price of \$16,000,000.

This transaction has not been recorded in the financial statements for the year ended December 31, 2016.

