The YMCA of Greater Vancouver Foundation

Financial statements

December 31, 2017

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, 2017, 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, 2017, 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 *Societies 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.

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
May 3, 2018

The YMCA of Greater Vancouver Foundation

Statement of financial position

As at December 31

	2017	2016
	$	$
Assets		
Current		
Cash	**6,049,208**	351,343
Other receivables	**300,816**	222,756
Prepaid expenses	**60,898**	18,326
Property and equipment held for sale *[note 11]*	**7,992,040**	—
Total current assets	**14,402,962**	592,425
Investments *[note 4]*	**20,146,790**	13,021,349
Property and equipment, net *[note 5]*	**530,000**	10,677,138
Total assets	**35,079,752**	24,290,912
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities *[notes 3 and 9]*	**817,435**	108,350
Current portion of long-term debt *[note 6]*	**91,450**	220,423
Deferred revenue	**29,430**	50,118
Total current liabilities	**938,315**	378,891
Long-term debt *[note 6]*	**2,444,711**	6,558,976
Total liabilities	**3,383,026**	6,937,867
Net assets		
Endowment funds	**8,824,348**	8,066,093
Unrestricted	**16,886,499**	5,389,213
Internally restricted for property and equipment	**5,985,879**	3,897,739
Total net assets	**31,696,726**	17,353,045
Total liabilities and net assets	**35,079,752**	24,290,912

See accompanying notes

On behalf of the Board:

Trustee

Trustee

The YMCA of Greater Vancouver Foundation

Statement of operations

Year ended December 31

		2017	2016
		$	$
Revenue			
Rental income *[note 3]*		**821,767**	1,124,167
Investment income *[note 4]*		**799,626**	187,097
Income from funds administered by the Vancouver Foundation			
The YMCA of Greater Vancouver Designated Fund *[note 7]*		**91,703**	86,378
Guy Flavelle Memorial Fund *[note 7]*		**32,864**	30,067
Chilliwack Family YMCA Endowment Fund *[note 7]*		**6,484**	7,752
J.D. Wilson Charitable Trust *[note 7]*		**670**	523
Donations		**25,069**	19,272
Other income		**7,328**	18,439
		1,785,511	1,473,695
Expenses			
Grants to			
The YMCA of Greater Vancouver *[note 3]*		**1,036,538**	491,749
What Really Matters Capital Campaign *[note 3]*		**300,000**	200,000
Other grants		**10,722**	9,053
Administration fee to the YMCA of Greater Vancouver *[note 3]*		**145,000**	145,000
Net recovery on common area leased property costs			
Cost recovery	(371,925)		
Property costs incurred	313,975	**(57,950)**	(75,829)
Office, legal, professional and contract services		**83,945**	59,545
Insurance premiums		**23,474**	24,091
Promotion		**11,484**	9,282
Meetings, conferences and travel expenses		**8,036**	7,092
Property tax, utilities, occupancy and other expenses		**4,181**	3,075
Interest expense *[note 6]*		**114,243**	259,407
Recovery of commodity tax rebate		**(24,398)**	(31,485)
		1,655,275	1,100,980
Excess of revenue over expenses before the following		**130,236**	372,715
Amortization of property and equipment		**(101,891)**	(233,279)
Gain on sale of property *[note 5]*		**12,966,535**	4,350,698
Unrealized investment gain *[note 4]*		**887,574**	180,463
Excess of revenue over expenses for the year		**13,882,454**	4,670,597

See accompanying notes

The YMCA of Greater Vancouver Foundation

Statement of changes in net assets

Year ended December 31

	2017				2016
	Endowment funds	**Unrestricted fund**	**Internally restricted fund for property and equipment**	**Total**	**Total**
	$	$	$	$	$
Net assets, beginning of year	**8,066,093**	**5,389,213**	**3,897,739**	**17,353,045**	12,420,632
Excess (deficiency) of revenue over expenses for the year	**597,028**	**13,387,317**	**(101,891)**	**13,882,454**	4,670,597
Endowment contributions and bequests	**161,227**	—	**300,000**	**461,227**	261,816
Transfer to (from) internally restricted fund	—	**(1,890,031)**	**1,890,031**	—	—
Net assets, end of year	**8,824,348**	**16,886,499**	**5,985,879**	**31,696,726**	17,353,045

See accompanying notes

The YMCA of Greater Vancouver Foundation

Statement of cash flows

Year ended December 31

	2017	2016
	$	$
Operating activities		
Excess of revenue over expenses for the year	**13,882,454**	4,670,597
Add (deduct) items not involving cash		
Unrealized investment gain	**(887,574)**	(180,463)
Gain on sale of property	**(12,966,535)**	(4,350,698)
Amortization of property rent receivable	**13,964**	23,247
Amortization of property and equipment	**101,891**	233,279
	144,200	395,962
Changes in non-cash working capital balances related to operations		
Accrued interest and other receivables	**(136,773)**	29,059
Prepaid expenses	**(42,572)**	(4,965)
Accounts payable and accrued liabilities	**709,085**	(114,452)
Deferred revenue	**(20,688)**	(12,465)
Cash provided by operating activities	**653,252**	293,139
Investing activities		
Increase in investments	**(6,237,867)**	(5,017,607)
Net proceeds on sale of land, after commissions	**15,369,813**	4,901,806
Purchase of property and equipment	**(5,322)**	(14,965)
Cash provided by (used in) investing activities	**9,126,624**	(130,766)
Financing activities		
Receipt of endowment contributions and bequests	**161,227**	261,816
Repayment of long-term debt	**(4,243,238)**	(219,020)
Cash provided by (used in) financing activities	**(4,082,011)**	42,796
Net increase in cash during the year	**5,697,865**	205,169
Cash, beginning of year	**351,343**	146,174
Cash, end of year	**6,049,208**	351,343

See accompanying notes

The YMCA of Greater Vancouver Foundation

Notes to financial statements

December 31, 2017

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 transitioned to the new *Societies Act* of British Columbia in June 2017. 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 of the Foundation also be a member of the YMCA’s Board of Directors.

2. Summary of 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 summarized below.

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. Contributions of amortizable assets are recognized as deferred capital contributions. Contributions of non-amortizable assets are recognized as direct increases in net assets.

Rental income is recognized as revenue 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.

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 other receivables and accounts payable, are initially recorded at fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

Notes to financial statements

December 31, 2017

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 is transferred to the appropriate asset categories and amortized over its estimated 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 affect the amounts reported in the financial statement and accompanying notes. Management believes that the estimates utilized in preparing its 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.

Notes to financial statements

December 31, 2017

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 *Societies 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 April 2016, the Trustees of the Foundation committed to provide the YMCA $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, 2017, $500,000 of this commitment [2016 – $200,000] 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 2017, the Foundation provided grants of $1,336,538 to the YMCA [2016 – $691,749]. The Foundation reimbursed the YMCA for administration support services totaling $145,000 [2016 – $145,000]. 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, 2017, the Foundation charged the YMCA rent of $299,255 [2016 – $301,630].

As at December 31, 2017, $684,441 [2016 – $15,299] is payable to the YMCA and is included in accounts payable in respect of administrative costs and other expenses and grants 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, which has a similar mix to other existing portfolios held by the Foundation.

Investments are held as follows:

	2017	**2016**
	$	$
Mawer – Endowment [i]	**8,657,218**	7,709,163
Mawer – Literacy [ii]	**232,600**	209,589
Mawer – Langdale New Westminster [iii]	**5,450,554**	4,901,806
North Growth Management Ltd. [iv]	**268,084**	200,791
RBC – GIC Investments [v]	**5,538,334**	—
	20,146,790	13,021,349

The unrealized investment gain on the portfolio was $887,574 [2016 – $180,463]. Investment income for the year was $420,109 [2016 – $161,810]. The realized gain for the year was $290,015 [2016 – $13,645]. Other interest income earned on cash accounts for the year was $89,502 [2016 – $11,642].

[i] The 12-month rate of return at December 31, 2017 was 10.99% [2016 – 4.09%].
[ii] The 12-month rate of return at December 31, 2017 was 10.98% [2016 – 4.04%].
[iii] The 12-month rate of return at December 31, 2017 was 11.19% [2016 – 0.73%].
[iv] The 12-month rate of return at December 31, 2017 was 20.6% [2016 – 4.03%].
[v] The 8-month rate of return at December 31, 2017 was 1.06% [2016 – nil].

The investment mix comprises the following:

	2017	2016
	%	%
Money market	**29.71**	3.10
Fixed income	**22.97**	33.40
Equities and equity funds	**47.32**	63.50
	100.00	100.00

5. Property and equipment

	2017		
	Cost	Accumulated amortization	Net book value
	$	$	$
Land [i]	**530,000**	**—**	**530,000**

	2016		
	Cost	Accumulated amortization	Net book value
	$	$	$
Land [i and ii]	6,503,217	—	6,503,217
Buildings and infrastructure [ii]	4,607,321	1,371,141	3,236,180
Building equipment/improvement [ii]	988,107	164,201	823,906
Camp furniture and equipment [ii]	74,994	74,994	—
Tenant inducements[ii]	173,317	59,482	113,835
	12,346,956	1,669,818	10,677,138

[i] Land represents 122 acres [2016 – 90 acres] of wilderness camp property on Deka Lake in the 100 Mile area leased to the YMCA *[note 3]*. The Foundation received a gift of 32 acres of land on Deka Lake in 2017, with a fair value of $300,000, which was recorded as an increase in land and a corresponding direct increase to net assets.

[ii] Land and buildings include developed property in West Vancouver of 8,228 square feet leased to a bank until it was sold on March 31, 2017, for a gain of $12,966,353, and developed property in Vancouver of 30,662 square feet currently leased to four tenants and the YMCA *[note 3].* The Foundation accepted an offer, from

a third party, to purchase the Joyce Street Property on June 22, 2017. The sale is expected to complete in May 2018. Accordingly, as at December 31, 2017, the Joyce Street land, buildings, infrastructure, equipment and tenant inducements have been disclosed as property and equipment held for sale *[note 11].*

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 Marine drive property was sold in March 2017 and the related debt of $4,120,213 was paid off at the time of sale. The carrying amount of the collateralized assets as at December 31, 2017 was $7,992,040 [2016 – $10,447,138]. As at December 31, 2017, the outstanding balance payable on the loan facilities was $2,536,161 [2016 – $6,779,399] of which $91,450 [2016 – $220,423] is repayable in 2018 and is shown as a current liability. The balance of $2,444,711 [2016 – $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 $114,243 [2016 – $259,407] is recorded as interest expense. Repayments including principal and interest on the loan facilities in the next five years are approximately $185,496 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	2017 Cost	2016 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

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 receivable of $1,130 [2016 – payable of $10,712] is included in accounts payable.

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 $22,131 [2016 – $8,267]. 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. Property and equipment held for sale

On June 22, 2017, the Foundation accepted an offer, from a third party, to purchase its 30,662 square foot developed rental property at 5055 Joyce Street, Vancouver. As at June 22, 2017, the net book value of the land was $4,373,216, the building was $2,731,037, the building equipment/improvements were $785,352, and the tenant inducement was $102,435. No amortization was recorded on these assets subsequent to the date the offer to purchase was signed. The related mortgage on the property has an outstanding balance as at December 31, 2017 of $2,536,161, with $91,450 included in current liabilities and $2,444,711 in long-term debt. The sale is expected to complete in May 2018.

The property held for sale comprises the following:

	2017		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Land	**4,373,216**	**—**	**4,373,216**
Buildings and infrastructure	**3,273,038**	**542,001**	**2,731,037**
Building equipment/improvement	**973,928**	**188,576**	**785,352**
Tenant inducements	**173,317**	**70,882**	**102,435**
	8,793,499	**801,459**	**7,992,040**