

Financial statements

**The Endowment Fund of
the YMCA of Greater Vancouver**

December 31, 2015

Independent auditors' report

To the Trustees of
The Endowment Fund of the YMCA of Greater Vancouver

Report on the financial statements

We have audited the accompanying financial statements of **The Endowment Fund of the YMCA of Greater Vancouver**, which comprise the statement of financial position as at December 31, 2015, 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 Endowment Fund of the YMCA of Greater Vancouver** as at December 31, 2015, 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 20, 2016

Ernst & Young LLP

Chartered Professional Accountants



The Endowment Fund of the YMCA of Greater Vancouver

Statement of financial position

As at December 31

	2015	2014
	\$	\$
Assets		
Current		
Cash	146,174	702,740
Accrued interest and other receivables	275,059	148,701
Prepaid expenses	13,361	11,923
Total current assets	434,594	863,364
Investments <i>[note 4]</i>	7,839,389	6,786,842
Properties under development	—	26,383
Property and equipment, net <i>[note 5]</i>	11,438,918	11,032,439
Total assets	19,712,901	18,709,028
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[notes 3 and 9]</i>	231,267	172,939
Current portion of long-term debt <i>[note 6]</i>	219,020	211,002
Deferred revenue	62,583	26,427
Total current liabilities	512,870	410,368
Long-term debt <i>[note 6]</i>	6,779,399	6,998,419
Total liabilities	7,292,269	7,408,787
Net assets		
Endowment Funds	7,728,104	6,604,339
Unrestricted	260,495	875,091
Internally restricted	4,432,033	3,820,811
Total net assets	12,420,632	11,300,241
Total liabilities and net assets	19,712,901	18,709,028

See accompanying notes

On behalf of the Board:



Director



Director

The Endowment Fund of the YMCA of Greater Vancouver

Statement of operations

Year ended December 31

	2015	2014
	\$	\$
Revenue		
Rental income <i>[note 3]</i>	1,078,068	962,355
Investment income <i>[note 4]</i>	292,668	156,919
Income from funds administered by the Vancouver Foundation		
The YMCA of Greater Vancouver Designated Fund <i>[note 7]</i>	82,069	77,737
Guy Flavelle Memorial Fund <i>[note 7]</i>	28,624	23,648
Chilliwack Family YMCA Endowment Fund <i>[note 7]</i>	7,344	8,755
J.D. Wilson Charitable Trust <i>[note 7]</i>	497	472
Donations	22,488	22,534
Other income	18,542	18,541
	<u>1,530,300</u>	<u>1,270,961</u>
Expenses		
Grants to		
The YMCA of Greater Vancouver <i>[note 3]</i>	533,961	399,672
Camp Elphinstone <i>[note 3]</i>	200,000	160,000
Other grants	8,970	6,627
Administration fee to the YMCA of Greater Vancouver <i>[note 3]</i>	144,996	144,996
Net expense (recovery) on common area leased property costs		
Cost recovery	(438,603)	
Property costs incurred	403,051	14,017
Office, legal, professional and contract services	145,505	60,693
Insurance premiums	23,491	23,536
Promotion	6,242	13,883
Meetings, conferences and travel expenses	13,532	15,204
Property tax, utilities, occupancy and other expenses	4,272	2,539
Interest expense <i>[note 6]</i>	266,722	275,327
Recovery of commodity tax rebate	(29,408)	(26,207)
	<u>1,282,731</u>	<u>1,090,287</u>
Excess of revenue over expenses before amortization and unrealized investment gain	247,569	180,674
Amortization of property and equipment	(218,856)	(182,886)
Unrealized investment gain <i>[note 4]</i>	492,301	639,810
Excess of revenue over expenses for the year	<u>521,014</u>	<u>637,598</u>

See accompanying notes

The Endowment Fund of the YMCA of Greater Vancouver

Statement of changes in net assets

Year ended December 31

	2015			2014	
	Endowment funds \$	Unrestricted fund \$	Internally restricted fund \$	Total \$	Total \$
Net assets, beginning of year	6,604,339	875,091	3,820,811	11,300,241	10,412,683
Excess (deficiency) of revenue over expenses for the year	524,388	215,482	(218,856)	521,014	637,598
Endowment contributions and bequests	599,377	—	—	599,377	249,960
Transfer (from) to internally restricted fund	—	(830,078)	830,078	—	—
Net assets, end of year	7,728,104	260,495	4,432,033	12,420,632	11,300,241

See accompanying notes

The Endowment Fund of the YMCA of Greater Vancouver

Statement of cash flows

Year ended December 31

	2015	2014
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	521,014	637,598
Add (deduct) non-cash items		
Unrealized investment gain	(492,301)	(639,810)
Amortization of property rent receivable	(63,495)	(65,021)
Amortization of property and equipment	218,856	182,886
	<u>184,074</u>	115,653
Changes in non-cash working capital balances related to operations		
Accrued interest and other receivables	(66,296)	(9,891)
Prepaid expenses	(1,438)	(1,007)
Accounts payable and accrued liabilities	81,885	41,756
Deferred revenue	36,156	—
Cash provided by operating activities	<u>234,381</u>	146,511
Investing activities		
Increase in investments	(560,247)	(257,652)
Purchase of property and equipment	(619,075)	(342,141)
Cash used in investing activities	<u>(1,179,322)</u>	(599,793)
Financing activities		
Receipt of endowment contributions and bequests	599,377	249,960
Repayment of long-term debt	(211,002)	(203,207)
Cash provided by financing activities	<u>388,375</u>	46,753
Net decrease in cash during the year	(556,566)	(406,529)
Cash, beginning of year	702,740	1,109,269
Cash, end of year	<u>146,174</u>	<u>702,740</u>

See accompanying notes

The Endowment Fund of the YMCA of Greater Vancouver

Notes to financial statements

December 31, 2015

1. Purpose of organization and basis of presentation

The Endowment Fund of the Young Men's Christian Association of Greater Vancouver [the "Old Endowment Fund"] 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. A new foundation, the Endowment Fund of the YMCA of Greater Vancouver was incorporated under the *Society Act* of British Columbia in 2009 [the "New Endowment Fund"]. Both endowment funds 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 New Endowment Fund also be a member of the YMCA's Board of Directors.

On July 1, 2015, the Old Endowment Fund transferred by way of a deed of gift all assets and liabilities to the New Endowment Fund. Because the New Endowment Fund and the Old Endowment Fund are controlled by the same board of trustees, continuity of interest accounting has been applied as the New Endowment Fund is continuing the work of the Old Endowment Fund. The comparative figures represent the financial position and statement of operations of the Old Endowment Fund. The 2015 statement of financial position represents the financial position of the New Endowment Fund. The results from January 1 – June 30, 2015 represents the operations of the Old Endowment Fund. The results from July 1 – December 31, 2015 represents the operations of the New Endowment Fund. 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 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 Endowment Fund 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 Endowment Fund 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 Endowment Fund of the YMCA of Greater Vancouver

Notes to financial statements

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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 recorded at amortized cost, net of any provisions for impairment.

Cash and cash equivalents

Cash and cash equivalents includes all balances held at banks excluding overdraft amounts and any short-term investments, with an original maturity of less than three months.

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 Endowment Fund and at fair values at the time of donation for property and equipment donated.

The Endowment Fund 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 and density rights are not amortized.

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 Endowment Fund committed to provide the YMCA \$600,000 over seven years for the purpose of building new lodges at Camp Elphinstone. As at December 31, 2015, \$600,000 [2014 – \$400,000] had been contributed by the Endowment Fund with respect to Camp Elphinstone Lodges.

The Endowment Fund of the YMCA of Greater Vancouver

Notes to financial statements

December 31, 2015

In addition, the Endowment Fund makes donations to the YMCA in accordance with donors' restrictions at the direction of the Endowment Fund Trustees. During 2015, the Endowment Fund provided grants of \$733,961 to the Association [2014 – \$559,672]. The Endowment Fund reimbursed the YMCA for administration support services totalling \$144,996 [2014 – \$144,996]. In January 2015, the YMCA entered into a ten-year lease for lands and buildings owned by the Endowment Fund. In July 2015, the YMCA entered into a 10-year lease for Camp Deka which is owned by the Endowment Fund [note 5]. For the year ended December 31, 2015, the Endowment Fund charged the YMCA rent of \$252,961 [2014 – \$192,129].

At December 31, 2015, \$124,258 [2014 – \$67,694] 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 Endowment Fund.

4. Investments

Investments are held as follows:

	2015	2014
	\$	\$
Mawer – Endowment [i]	7,454,545	6,420,271
Mawer – Literacy [i]	215,871	233,562
North Growth Management Ltd. [ii]	168,973	133,009
	7,839,389	6,786,842

The unrealized investment gain on the portfolio was \$492,301 [2014 – \$639,810]. Investment income for the year was \$264,221 [2014 – \$127,226]. The realized gain for the year was \$22,775 [2014 – \$20,469]. Other interest income earned on cash accounts for the year was \$5,672 [2014 – \$9,224].

[i] The 12 month rate of return at December 31, 2015 was 11.49% [2014 – 13.11%].

[ii] The 12 month rate of return at December 31, 2015 was 10.32% [2014 – 20.73%].

The investments comprise the following:

	2015	2014
	%	%
Money market	6.21	7.84
Fixed income	32.34	30.21
Equities and equity funds	61.45	61.95
	100.00	100.00

The Endowment Fund of the YMCA of Greater Vancouver

Notes to financial statements

December 31, 2015

5. PROPERTY AND EQUIPMENT

	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

	2014		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land [i]	7,038,217	—	7,038,217
Buildings and infrastructure [i]	4,607,321	1,083,185	3,524,136
Building equipment/improvement	421,556	47,744	373,812
Camp furniture and equipment	74,994	74,994	—
Tenant inducements	108,036	11,762	96,274
	12,250,124	1,217,685	11,032,439

[i] Land and buildings include 226.6 acres of undeveloped land in the Langdale area [note 10], 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 Endowment Fund property at 1705 Marine Drive, West Vancouver. The carrying amount of these collateralized assets at December 31, 2015 was \$10,673,917 [2014 – \$10,267,439]. At December 31, 2015, the outstanding balance payable on the loan facilities was \$6,998,419 [2014 – \$7,209,421] of which \$219,020 is repayable in 2016 and is shown as a current liability. The balance of \$6,779,399 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 \$266,722 [2014 – \$275,327] 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.

The Endowment Fund of the YMCA of Greater Vancouver

Notes to financial statements

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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 Endowment Fund. The income from these funds has been allocated to the Endowment Fund and is recorded in the statement of operations.

	Share of investment income	2015 Cost	2014 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

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 Endowment Fund's main credit risk relates to its other receivables. The Endowment Fund 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 Endowment Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Endowment Fund 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 Endowment Fund results of operations that arises from fluctuations in equity valuations and foreign exchange rates and the degree of volatility of these rates. In managing these risks, the Endowment Fund 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 to the Endowment Fund's results of operations that arises from fluctuations in interest rates, equity valuations and foreign exchange rates, and the degree of volatility of these rates. It is management's opinion that the Endowment Fund is not exposed to significant interest rate risk. In addition to managing these risks, the Endowment Fund has established a target mix of investment types designed to achieve an optimal return within reasonable risk tolerances.

The Endowment Fund of the YMCA of Greater Vancouver

Notes to financial statements

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9. Government remittances

GST payable of \$3,141 [2014 – \$1,849] and PST payable of nil [2014 – \$247] are included in accounts payable.

10. Subsequent event

On March 15, 2016, the Endowment Fund received a \$1 million, non-refundable deposit for the purchase of the 226.6 acres of undeveloped land in the Langdale area. The purchase agreement for the land is valued at \$4.9 million and is subject to closing conditions, which include financing conditions. The Endowment Fund expects that the conditions will be satisfied by no later than August 31, 2016.