Non-Consolidated Financial Statements
(Expressed in thousands of dollars)

VANCOUVER FOUNDATION

And Independent Auditors' Report thereon

Year ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Vancouver Foundation

Opinion

We have audited the non-consolidated financial statements of Vancouver Foundation (the "Foundation"), which comprise:

- the non-consolidated statement of financial position as at December 31, 2019
- the non-consolidated statement of operations and changes in fund balances for the year then ended
- the non-consolidated statement of changes in fund balances for the year then ended
- the non-consolidated statement of cash flows for the year then ended
- and notes to the non-consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the non-consolidated financial position of the Foundation as at December 31, 2019, and its non-consolidated results of operations and its non-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 Financial Statements***" section of our auditors' report.

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 15, 2020

VANCOUVER FOUNDATION

Non-Consolidated Statement of Financial Position
(Expressed in thousands of dollars)

December 31, 2019, with comparative information for 2018

	December 31, 2019			December 31, 2018		
	Restricted	Operating	Total	Restricted	Operating	Total
Assets						
Current assets:						
Cash	$ 5,002	$ 4,649	$ 9,651	$ 12,081	$ 4,213	$ 16,294
Accounts receivable and prepaid expenses	235	143	378	97	191	288
	5,237	4,792	10,029	12,178	4,404	16,582
Investments (note 3)	1,302,681	8,428	1,311,109	1,174,884	8,170	1,183,054
Other assets (note 4)	3,533	-	3,533	3,196	-	3,196
Tangible capital assets (note 5)	-	148	148	-	256	256
Total assets	$ 1,311,451	$ 13,368	$ 1,324,819	$ 1,190,258	$ 12,830	$ 1,203,088
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	$ 1,033	$ 411	$ 1,444	$ 1,359	$ 300	$ 1,659
Interfund payable (receivable)	(255)	255	-	(223)	223	-
	778	666	1,444	1,136	523	1,659
Fund balances:						
Contributed principal (note 6(a) and 6(b))	948,510	-	948,510	905,160	-	905,160
Retained returns from investments (note 6(b))	362,163	12,554	374,717	283,962	12,051	296,013
Invested in tangible capital assets	-	148	148	-	256	256
Total fund balances	1,310,673	12,702	1,323,375	1,189,122	12,307	1,201,429
Total liabilities and fund balances	$ 1,311,451	$ 13,368	$ 1,324,819	$ 1,190,258	$ 12,830	$ 1,203,088

Commitments (note 12)
Subsequent events (note 15)

See accompanying notes to the non-consolidated financial statements.

Approved on behalf of the Board:

________________ Director   ________________ Director

VANCOUVER FOUNDATION

Non-Consolidated Statement of Operations and Changes in Fund Balances
(Expressed in thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	December 31, 2019			December 31, 2018		
	Restricted	Operating	Total	Restricted	Operating	Total
Revenue:						
Contributions (note 7)	$ 53,675	$ -	$ 53,675	$ 52,962	$ -	$ 52,962
Investment and interest income (loss) (note 8)	152,023	539	152,562	(3,029)	406	(2,623)
	205,698	539	206,237	49,933	406	50,339
Expenses:						
Charitable activities:						
Charitable programming (note 9)	2,837	-	2,837	2,794	-	2,794
Grants	65,581	-	65,581	59,795	-	59,795
	68,418	-	68,418	62,589	-	62,589
Management and administration:						
Administration and other fund expenses (note 10)	401	7,392	7,793	372	6,938	7,310
Investment management and custodian fees	8,080	-	8,080	6,628	-	6,628
	8,481	7,392	15,873	7,000	6,938	13,938
Excess (deficiency) of revenue over expenses	128,799	(6,853)	121,946	(19,656)	(6,532)	(26,188)
Fund balance, beginning of year	1,189,122	12,307	1,201,429	1,215,949	11,668	1,227,617
Interfund transfers:						
Administration fees	(7,608)	7,608	-	(7,232)	7,232	-
Other interfund transfers	360	(360)	-	61	(61)	-
	(7,248)	7,248	-	(7,171)	7,171	-
Fund balance, end of year	$ 1,310,673	$ 12,702	$ 1,323,375	$ 1,189,122	$ 12,307	$ 1,201,429

See accompanying notes to the non-consolidated financial statements.

VANCOUVER FOUNDATION

Non-Consolidated Statement of Changes in Fund Balances
(Expressed in thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	December 31, 2019				December 31, 2018			
	Contributed principal	Retained returns from investments	Invested in tangible capital assets	Total	Contributed principal	Retained returns from investments	Invested in tangible capital assets	Total
Fund balances, beginning of year	$ 905,160	$ 296,013	$ 256	$ 1,201,429	$ 874,537	$ 352,784	$ 296	$ 1,227,617
Excess (deficiency) of revenue over expenses	38,535	83,547	(136)	121,946	38,157	(64,197)	(148)	(26,188)
Invested in tangible capital assets	-	(28)	28	-	-	(108)	108	-
Transfers from contributed principal to retained returns from investments	(14,130)	14,130	-	-	(12,912)	12,912	-	-
Recapitalized income	18,945	(18,945)	-	-	5,378	(5,378)	-	-
Fund balances, end of year	$ 948,510	$ 374,717	$ 148	$ 1,323,375	$ 905,160	$ 296,013	$ 256	$ 1,201,429

See accompanying notes to the non-consolidated financial statements.

VANCOUVER FOUNDATION

Non-Consolidated Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ 121,946	$ (26,188)
Items not affecting cash:		
Unrealized (gain) loss on investments	(91,480)	80,898
Unrealized gain on other assets	(285)	(186)
Amortization	136	148
	30,317	54,672
Changes in non-cash operating working capital:		
Accounts receivable and prepaid expenses	(90)	75
Accounts payable and accrued liabilities	(215)	(125)
Net cash from operations	30,012	54,622
Investing:		
Tangible capital asset additions	(28)	(108)
Net purchase of investments	(36,627)	(53,749)
Net cash from investing	(36,655)	(53,857)
Increase (decrease) in cash	(6,643)	679
Cash, beginning of year	16,294	15,615
Cash, end of year	$ 9,651	$ 16,294

See accompanying notes to the non-consolidated financial statements.

1. Organization:

Vancouver Foundation (the “Foundation”) was established in 1943 and incorporated through an Act of the Provincial Legislature in 1950. From time to time revisions to the Act are made. The Foundation supports initiatives that will build a lasting legacy of healthy, vibrant, livable communities throughout British Columbia.

The Foundation is a registered charity and is classified as a public foundation under the Income Tax Act (Canada). As such, it may issue tax deductible receipts for qualifying charitable donations. The Foundation is exempt from income taxes.

2. Significant accounting policies:

The financial statements of the Foundation have been prepared by management on a non-consolidated basis in accordance with Canadian accounting standards for not-for-profit organizations. Details of controlled entities that have not been consolidated are provided in notes 2(e) and 11.

(a) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions to comply with the limitations and restrictions placed on the Foundation’s resources by donors. Accordingly, resources are classified for accounting and financial reporting purposes into funds. These funds are maintained in accordance with either the objectives specified by the donors or with directives issued by the Board of Directors (the “Board”). Certain interfund transfers may be necessary to ensure the appropriate allocation to the respective funds. Transfers between the funds are recorded in the non-consolidated statement of operations and changes in fund balances.

For financial reporting purposes, the accounts have been classified into the following funds:

(i) Restricted Fund:

The Restricted Fund include funds that are externally or internally restricted. These funds are generally required to be maintained by the Foundation on a permanent basis; however, the market value of certain endowed funds may be subject to complete or partial withdrawal according to the terms of the deed of gift. Restricted funds are comprised of resources that are to be used for granting as specified by the fund advisor or the donor. The Board exercises discretionary control over the investment of these funds through external investment fund managers. Income earned on these funds is reported in the Restricted Fund and is either retained in the Restricted Fund, internally transferred, or granted in the year.

(ii) Operating Fund:

The Operating Fund is comprised of unrestricted resources available for the Foundation’s general operating activities (including management and administration). The cost of these activities is reported in the expenses of the Operating Fund.

2. Significant accounting policies (continued):

(b) Financial instruments:

The Foundation's financial instruments consist of cash, accounts receivable, investments, other assets, and accounts payable and accrued liabilities.

(i) Cash:

Cash includes balances held at Canadian financial institutions for the purpose of meeting short-term cash commitments.

(ii) Investments:

Investments include bills and notes held for re-investments, common shares, convertible securities, bonds, debentures, mortgages, real estate, and may also include other investment vehicles such as derivative financial instruments and multi-strategy funds. Investments are held in segregated accounts and in pooled funds. These investments are recorded at their fair values determined, on a trade date basis, on the last business day of the fiscal period.

(iii) Other assets:

Other assets include the estimated cash surrender value of life insurance policies and the fair market value of an investment in a social finance initiative in partnership with Vancity.

Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. Transaction costs are expensed as incurred.

The financial assets and financial liabilities of the Foundation are classified and measured as follows:

Assets/liabilities	Measurement
Cash	Fair value
Investments	Fair value
Other assets	Fair value
Amounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

For items carried at amortized cost, the fair value approximates the carrying value in the financial statements.

(Amounts expressed in thousands of dollars)

2. Significant accounting policies (continued):

(c) Tangible capital assets:

Tangible capital assets are recorded at cost. Assets in use are amortized over their estimated useful lives. Management has estimated the useful lives to be:

Asset	Basis	Rate
Computer and office equipment	Straight-line	3 to 5 years
Office furniture	Straight-line	10 years
Leasehold improvements	Straight-line	Over the term of the lease
Information technology software	Straight-line	3 years

(d) Interfund payable (receivable):

Interfund payable (receivable) includes balances related to interest and administration fees that are transferred between the Restricted Fund and the Operating Fund. The interfund payable (receivable) balance is settled in the month following the prior quarter end date.

(e) Controlled entities:

(i) British Columbia Unclaimed Property Society:

The British Columbia Unclaimed Property Society ("BCUPS") is incorporated under the Societies Act (British Columbia). The purpose of BCUPS is to act as the administrator under the Unclaimed Property Act (British Columbia) and Unclaimed Property Amendment Act, 2003. The Foundation owns all of the shares in three corporations that are the sole members of BCUPS, and thereby it is able to indirectly control the election of directors of the Society and the admission of new members to BCUPS.

The financial statements of BCUPS are not consolidated in the Foundation's financial statements. Summary financial statements of BCUPS are included in note 11.

(ii) Friends of Vancouver Foundation:

On May 11, 2009, Friends of Vancouver Foundation ("Friends") was incorporated as a non-profit organization in the State of Washington to operate exclusively for the benefit of or to carry out the purposes of Vancouver Foundation, to facilitate US dollar contributions from donors and to issue US tax receipts. Friends is classified as a 501(c)(3) public charity under the Internal Revenue Code of the United States. Friends is controlled by the Foundation through its ability to appoint the Board of Directors.

The financial statements of Friends are not consolidated in the financial statements of the Foundation. The Foundation received contributions of $385 from Friends during 2019 (2018 - $220). Summary financial statements of Friends have not been included in these notes as there are no material assets and liabilities held by Friends.

2. Significant accounting policies (continued):

(f) Revenue recognition:

Contributions are recognized as revenue in the Restricted Fund when they are received or receivable, provided the amounts are measurable and collection is reasonably assured.

In the normal course of operations, the Foundation receives notification of pending Estate gifts. Estate gifts, including bequests, are recorded upon receipt of the donated assets. Bequests in a form other than cash or marketable securities are recorded at fair value at the time of receipt.

Interest on investments is recorded on an accrual basis. Dividends that have been declared are recorded as income on the date of record set for the dividend.

Investment and interest income earned on restricted funds is recognized as revenue in the Restricted Fund in accordance with the terms of the restricted contribution (note 2(a)). Investment and interest income earned on operating funds is recognized as revenue in the Operating Fund.

Realized and unrealized capital gains and losses are recorded in the Non-Consolidated Statement of Operations (note 8).

(g) Grants:

Grants are recorded when paid or payable by the Foundation. Grants include retractions paid as outlined in note 6(b).

(h) Interfund transfers:

Interfund transfers for administrative fees reflect costs recovered from the Restricted Funds by way of a cost recovery based on the market value of each fund. Other interfund transfers include transfers of investment income and surplus related to operations.

(i) Transfers from contributed principal to retained returns:

Transfers from contributed principal to retained returns consist of principal retractions made at the recommendation of fund advisors or in accordance with Vancouver Foundation policies.

(j) Donated services:

The Foundation relies on the time and expertise donated by many volunteers. The value of this time has not been reflected in these financial statements.

(k) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rates in effect at the statement of financial position date. Revenue and expenses denominated in foreign currencies are translated to Canadian dollars at the exchange rates in effect on the date of the transaction. Exchange gains and losses on translation of foreign currencies are reflected in the Non-Consolidated Statement of Operations.

2. Significant accounting policies (continued):

(l) Management estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Management believes that the estimates utilized in preparing these non-consolidated financial statements are reasonable; however, actual results could differ from these estimates.

(m) Related party transactions:

Related party transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Details of related party transactions are disclosed in note 11.

(n) New accounting standards:

In March 2018, the Accounting Standards Board issued “Basis for Conclusions – Accounting Standards Improvements for Not-for-Profit Organizations” resulting in the introduction of three new handbook sections in Canadian accounting standards for not-for-profit organizations; *Section 4433 Tangible capital assets held by not-for-profit organizations, Section 4434 Intangible assets held by not-for-profit organizations* and *Section 4441 Collections held by not-for-profit organizations.*

The amendments are effective for financial statements with fiscal years beginning on or after January 1, 2019. Management has considered the application of the aforementioned new accounting standards and the implementation of these changes had no material impact on the Foundation’s financial statements.

3. Investments:

The Foundation's investments are carried at fair value in accordance with the significant accounting policy disclosed in note 2(b).

The Foundation’s investments are exposed to changing market conditions. The Foundation manages the market risk associated with these changing conditions by establishing and monitoring asset allocation strategies and by diversifying investments within the various asset classes, investment managers, geographies and investment styles. Investment managers operate within a mandate that establishes the investment approach, investment restrictions and the benchmark applicable to that mandate. Investments in foreign equities, fixed income, real estate and multi-strategy funds are exposed to currency risk due to fluctuations in foreign exchange rates.

The Foundation’s investment managers may utilize derivative financial instruments in the management of its foreign currency and market exposure.

(Amounts expressed in thousands of dollars)

3. Investments (continued):

Details of significant terms and conditions and exposures to credit and market risks on investments are disclosed in note 13. Investments held as at December 31 are comprised of the following:

2019	Restricted	Operating	Total
Common shares and convertible securities	$ 933,367	$ -	$ 933,367
Bonds and debentures	206,389	7,530	213,919
Mortgages and real estate	161,645	467	162,112
Bills and notes held for investments	1,280	431	1,711
	$ 1,302,681	$ 8,428	$ 1,311,109

2018	Restricted	Operating	Total
Common shares and convertible securities	$ 867,266	$ -	$ 867,266
Bonds and debentures	165,874	7,435	173,309
Mortgages and real estate	141,189	576	141,765
Bills and notes held for-investments	555	159	714
	$ 1,174,884	$ 8,170	$ 1,183,054

(i) Common shares and convertible securities:

The Foundation manages equity market risk by allocating the equities component of the investment portfolio across a number of investment managers and geographies, with differing investment styles and mandates. Equities are valued using published market quotations.

The Foundation is also invested in two multi-strategy funds structured to provide absolute returns not highly correlated to the performance of the public equity and Canadian bond markets. These funds are broadly diversified and may invest in a range of investment vehicles including derivative financial instruments. The net asset values of multi-strategy investments are measured at fair value using underlying market valuations.

(ii) Bonds and debentures:

The Foundation is invested in individual bonds, as well as pooled bond funds. The pooled bond funds invest in federal, provincial, municipal and corporate bonds with a minimum B (low) credit rating. Bonds are valued using published market quotations.

(iii) Mortgages and real estate:

The direct mortgages are secured by real estate, were made at commercial rates and are valued at fair value as determined by the mortgage investment managers. All mortgages relate to properties located in Canada.

Pooled real estate funds are valued quarterly by the real estate investment managers using a combination of internal and external appraisals to establish current market values.

(Amounts expressed in thousands of dollars)

3. Investments (continued):

(iv) Bills and notes held for re-investment:

The Foundation is invested in bills and notes held prior to the settlement of the purchase of securities or received on completion of a sale of securities. Bills and notes held for re-investment are measured at fair value using underlying market valuations.

4. Other assets:

	2019	2018
Investment in a social finance program	$ 1,419	$ 1,367
Estimated cash surrender value of life insurance policies	2,114	1,829
	$ 3,533	$ 3,196

The Foundation is the owner and beneficiary of life insurance policies with face values totaling $17,046 at December 31, 2019 (2018 - $16,413). The cash surrender value of these life insurance policies is recorded as an asset. The Foundation will record the realizable amount in excess of the cash surrender value when the receipt of the proceeds can be estimated and collection is reasonably assured.

5. Tangible capital assets:

2019	Cost	Accumulated amortization	Net book value
Computer and office equipment	$ 570	$ 489	$ 81
Office furniture	145	94	51
Leasehold improvements	240	224	16
Information technology software	59	59	-
	$ 1,014	$ 866	$ 148

2018	Cost	Accumulated amortization	Net book value
Computer and office equipment	$ 543	$ 406	$ 137
Office furniture	144	80	64
Leasehold improvements	239	184	55
Information technology software	59	59	-
	$ 985	$ 729	$ 256

Additions to tangible capital assets for the year ended December 31, 2019 totaled $28 (2018 - $108). Amortization expense for the year ended December 31, 2019 totaled $136 (2018 - $148). There were no write downs of tangible capital assets for 2019 or 2018.

(Amounts expressed in thousands of dollars)

6. Fund balances:

(a) Contributed principal:

	2019	2018
Endowed principal	$ 778,203	$ 751,434
Retractable principal (note 6(b))	170,307	153,726
	$ 948,510	$ 905,160

(b) Retractable funds:

Restricted funds consist primarily of endowment funds established from gifts by donors which remain under the Foundation's management in perpetuity (note 6(a)).

Certain restricted funds included in retained returns from investments may be subject to full or partial retraction in accordance with the deed of gift. As at December 31, 2019, the market value of the fund balances subject to potential retraction are estimated to be as follows:

2020	$ 102,865
2021	84,159
2022	11,043
2023	10,874
2024	2,666
Thereafter	6,851
	$ 218,458

During the year ended December 31, 2019, $6,863 (2018 - $4,499) was retracted from the market value of the fund balances. The market value of the retractable funds includes the retractable contributed principal of the fund (note 6(a)) and the retained returns from investments.

7. Contributions:

Contributions are received from various sources, mainly individuals, organizations and government. A summary of contributions received at December 31, 2019, with comparative information from 2018 is as follows:

	2019	2018
Individuals	$ 21,556	$ 25,630
Organizations	26,102	26,723
Government	6,017	609
	$ 53,675	$ 52,962

(Amounts expressed in thousands of dollars)

8. Investment and interest income (loss):

	2019	2018
Unrealized gain (loss) on investments	$ 91,480	$ (80,898)
Unrealized gain on other assets	285	186
Realized gain (loss) on investments	25,226	55,720
Investment income	35,090	22,001
Interest income	254	188
Other income	227	180
	$ 152,562	$ (2,623)

9. Charitable programming:

	2019	2018
Compensation expenses	$ 1,761	$ 1,654
Programming expenses	1,076	1,140
	$ 2,837	$ 2,794

10. Administration and other fund expenses:

	2019	2018
Finance, human resources and general operations	$ 4,805	$ 3,941
Information technology	1,088	1,314
Donor services	1,499	1,683
Other fund expenses	401	372
	$ 7,793	$ 7,310

(Amounts expressed in thousands of dollars)

11. British Columbia Unclaimed Property Society:

(a) A summary of the unaudited financial statements of the British Columbia Unclaimed Property Society as at December 31, 2019, with comparative information for 2018 is as follows:

Statement of Financial Position	2019	2018
Cash and cash equivalents	$ 7,346	$ 3,122
GST receivable	7	6
Prepaid expenses	11	6
Investments	39,264	38,640
Capital assets	6	-
	$ 46,634	$ 41,774
Accounts payable and accrued liabilities	$ 59	$ 79
Restricted funds:		
Old unclaimed property funds (note 11(b))	419	449
New unclaimed property funds	44,573	40,523
Unrestricted funds	1,583	723
	$ 46,634	$ 41,774

Statement of Operations and Fund Balances	2019	2018
Receipts of Unclaimed Property	$ 10,950	$ 6,115
Investment income	1,868	534
Operating expenses (note 11(c))	(1,008)	(961)
Distributions to claimants	(2,730)	(1,721)
Transfers to Vancouver Foundation (note 11(d))	(4,200)	(2,800)
Excess of revenue over expenses	4,880	1,167
Beginning of year	41,695	40,528
End of year	$ 46,575	$ 41,695

(Amounts expressed in thousands of dollars)

11. British Columbia Unclaimed Property Society (continued):

(a) (continued):

Statement of Cash Flows	2019	2018
Excess of revenue over expense	$ 4,880	$ 1,167
Items not affecting cash	(1,110)	572
Net changes in non-cash working capital balances	(26)	(1)
Cash flows from operating activities	3,744	1,738
Cash flows from investing activities	480	(1,991)
Increase (decrease) in cash and cash equivalents	4,224	(253)
Cash and cash equivalents, beginning of year	3,122	3,375
Cash and cash equivalents, end of year	$ 7,346	$ 3,122

(b) Pursuant to the Administration Agreement between the British Columbia Unclaimed Property Society and the Province of British Columbia, any pre-April 1, 2003 unclaimed funds that are unused, as at April 1, 2008, were to be returned to the Province of British Columbia. During 2008, the Province renewed the agreement for an indefinite term until either party gives one year's written notice to terminate the agreement. This agreement is currently under review by both parties. At 2019, the balance of these unused funds is $419 (2018 - $449).

(c) The Foundation subleases office space to the Society, in respect of which it charged the Society $51 for the year ended December 31, 2019 (2018 - $50).

In addition, the Society paid management services fees to the Foundation for financial, accounting, general management and other administrative services. The amount paid for such services for the year ended December 31, 2019 was $33 (2018 - $39).

(d) As provided for in the Administration Agreement, in 2018 the Society committed to contribute in 2019, from new unclaimed property funds held by it $4,200 (2018 - $2,800) to the Foundation for its charitable purposes. This amount was received in 2019 and recognized in Contributions to the Restricted Fund.

In 2019, the Board of Directors of the Society approved an additional transfer of $6,978 to the Foundation for its charitable purposes in 2020.

(Amounts expressed in thousands of dollars)

12. Commitments:

(a) The minimum future office lease payments to the end of the lease term which include basic annual rent and estimated operating costs are as follows:

2020	$ 680
2021	709
2022	713
2023	724
2024	728
Thereafter	180
	$ 3,734

(b) The Foundation has entered into two contracts with vendors for $347 related to granting programs and administrative support.

13. Financial risk management:

The Foundation invests its various funds according to an Investment Policy Statement approved by the Board of Directors. This Statement outlines the objectives, policies and processes relating to investment activities and applies to all investments of the Foundation. Investment Policy guidelines include the minimum and maximum amount of Canadian equities, global equities, fixed income, real estate, mortgages, multi strategy funds, short term investments and cash. This diversification across various asset classes is designed to decrease the volatility of portfolio returns. The Investment Committee and management regularly review the Foundation's investments to ensure that all activities adhere to the Investment Policy Statement.

The Board of Directors has overall responsibility for the establishment and oversight of the Foundation's risk management framework, including risks related to financial management of assets.

The Foundation has exposure to the following risks from its use of financial instruments:

(a) Credit risk:

Credit risk is the risk of financial loss to the Foundation if a counterparty to a financial instrument fails to meet its contractual obligations. The Foundation's investments in short-term investments, long-term investments, mortgages, bonds and debentures are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value.

The Investment Policy of the Foundation mandates that the maximum credit exposure to bonds rated "BBB" or below by Dominion Bond Rating Service ("DBRS") is 25% of the fixed income portfolio and no fixed income security rated lower than "B (low)" can be purchased. Cash and short-term paper up to one year term maturity must have a DBRS credit rating of R-1.

The Foundation's exposure to and management of credit risk has not changed materially since 2018.

13. Financial risk management (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they fall due. The majority of the Foundation's assets are investments traded in active markets that can be readily liquidated and therefore the Foundation's liquidity risk is considered minimal. In addition, the Foundation aims to retain a sufficient cash position to manage liquidity.

The Foundation’s exposure to and management of liquidity risk has not changed materially since 2018.

(c) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates, interest rates, equity prices and valuation of appraisal based assets, will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the return.

(i) Currency risk:

Investments in foreign securities are exposed to currency risk due to fluctuations in foreign exchange rates.

The Foundation is exposed to currency risk on its foreign market common stock, its foreign market bonds and debentures, foreign real estate and its multi-strategy funds, as the prices denominated in foreign currencies are converted to Canadian dollars in determining fair value. The objective of the Foundation’s investment policy is to control currency risk by maintaining a geographically diversified portfolio. The bond portfolio is managed by an investment manager who is restricted as to the unhedged foreign currency component of the foreign bond investments.

From time to time, the Foundation’s external investment fund managers may hold balances in cash and cash equivalents denominated in non-Canadian currencies. The currency risk related to these balances is not significant.

The Foundation’s exposure to and management of currency risk has not changed materially since 2018.

13. Financial risk management (continued):

(c) Market risk (continued):

(ii) Interest rate risk:

Interest rate risk relates to the risk that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Foundation. The Foundation is invested in a number of fixed income instruments, individual bonds, pooled bond funds, as well as pooled mortgage funds.

Duration is the most common measure of the sensitivity of the price of a fixed income instrument to a change in interest rates. The Foundation’s portfolio managers vary the duration of the fixed income holdings in their portfolios in order to accommodate possible changes in interest rate.

The Foundation’s exposure to and management of interest rate risk has not changed materially since 2018.

(iii) Equity price risk:

Equity price risk is the risk that the fair value of equity financial instruments will fluctuate due to changes in market prices. The Foundation is exposed to Equity price risk on its investments in preferred and common stock. The objective of the Foundation’s investment policy is to manage Equity price risk by maintaining a portfolio which is diversified across geographic and industry sectors. The performance of the Foundation’s investments is monitored by measuring against a benchmark consisting of relative weightings of various stock indices.

The Foundation’s exposure to and management of equity price risk has not changed materially since 2018.

(iv) Valuation risk:

Valuation risk is specific to appraisal based assets such as real estate. The Foundation is exposed to valuation risk through its investment in four real estate funds. Properties within these funds are regularly reviewed by an approved appraiser and valuations are updated accordingly.

The Foundation’s exposure to and management of valuation risk has not changed materially since 2018.

14. Capital management:

The Foundation invests in accordance with the Vancouver Foundation Act (the "Act").

Prior to 2008, the Act required that capital of permanently endowed funds be maintained in perpetuity. In 2008, the Act was revised to allow the Foundation to make distributions of up to 7% of the original contributed capital to the fund as determined at 2008, subject to the Board's approval. There were no distributions of capital of permanently endowed funds subject to Board approval in 2019 or 2018.

15. Subsequent events:

(a) Markin Fund Appeal:

On April 3, 2018, the Doukhobor Heritage Retreat Society #1999 ("DHRS") filed a Petition in the Supreme Court of British Columbia seeking an Order requiring Vancouver Foundation to return the capital of their permanent fund, the Allan T. Markin Benevolent Fund ("the Markin fund") to DHRS.

On January 17, 2019, the Supreme Court of British Columbia rendered a decision requiring the Foundation to return the capital of the fund to DHRS. In compliance with that decision the fund was returned on March 22, 2019. A Notice of Appeal was heard by the British Columbia Court of Appeal on November 13, 2019. On March 10, 2020, the Court of Appeal of British Columbia released their decision and allowed the appeal, in favour of Vancouver Foundation. The Court of Appeal concluded that Vancouver Foundation was not obliged to return the capital of the permanently endowed Markin fund and that DHRS did not reserve the right to give future directions as to the use or investment of the funds when the fund was established.

(b) COVID-19 Market Volatility:

Subsequent to December 31, 2019, global financial markets have experienced significant volatility as a result of the developing COVID-19 pandemic. The outcomes of monetary and fiscal interventions designed to stabilize economic conditions are unknown creating difficulty in reasonably estimating the impact or duration of market volatility. The Foundation is actively monitoring developments in the financial markets and the potential impact to the Foundation's investment portfolio.

Publicly traded equity, fixed income and derivative securities are subject to ongoing market fluctuations and will continue to experience volatility as the situation evolves. Asset classes such as private real estate, where the determination of fair value is based on the prior sales of comparable properties, have also been impacted by the current market conditions. Real estate appraisals generally lag the current market and a significant decline in real estate transactions has forced appraisers to provide qualified appraisals with a caution on the reliance of stale-dated valuations.

15. Subsequent events (continued):

(b) COVID-19 Market Volatility (continued):

Subsequent changes in the fair value of the Foundation's investments are not reflected in the financial statements as at December 31, 2019. Investment markets globally have experienced a decline in value since December 31, 2019, however, due to ongoing market volatility a reasonable estimate of the decrease in fair value of the Foundation's investments is not determinable at this time.

16. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.