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

VANCOUVER FOUNDATION

Year ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the 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, 2018
- the non-consolidated statement of operations 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, 2018, and its results of non-consolidated operations and its 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 11, 2019

VANCOUVER FOUNDATION

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

As at December 31, 2018, with comparative information for 2017

	December 31, 2018			December 31, 2017		
	Restricted	Unrestricted	Total	Restricted	Unrestricted	Total
Assets						
Current assets:						
Cash	$ 12,081	$ 4,213	$ 16,294	$ 3,287	$ 12,328	$ 15,615
Amounts receivable	97	191	288	168	195	363
Short-term investments	-	8,170	8,170	-	-	-
	12,178	12,574	24,752	3,455	12,523	15,978
Investments (note 3):						
Common shares and convertible securities	779,418	-	779,418	844,520	-	844,520
Bonds and debentures	291,107	-	291,107	254,858	-	254,858
Mortgages and real estate	86,314	-	86,314	107,781	-	107,781
Bills and notes held for re-investment	17,080	-	17,080	2,374	-	2,374
Accrued investment income receivable	965	-	965	879	-	879
	1,174,884	-	1,174,884	1,210,412	-	1,210,412
Other assets (note 4)	3,196	-	3,196	2,715	-	2,715
Capital assets (note 5)	-	256	256	-	296	296
Total assets	$ 1,190,258	$ 12,830	$ 1,203,088	$ 1,216,582	$ 12,819	$ 1,229,401
Liabilities and fund balances						
Current liabilities:						
Accounts payable and accrued liabilities	$ 1,359	$ 300	$ 1,659	$ 599	$ 1,185	$ 1,784
Interfund payable (receivable)	(223)	223	-	34	(34)	-
	1,136	523	1,659	633	1,151	1,784
Fund balances:						
Contributed principal	905,160	-	905,160	874,537	-	874,537
Retained returns from investments	283,962	12,051	296,013	341,412	11,372	352,784
Invested in capital assets	-	256	256	-	296	296
	1,189,122	12,307	1,201,429	1,215,949	11,668	1,227,617
Total liabilities and fund balances	$ 1,190,258	$ 12,830	$ 1,203,088	$ 1,216,582	$ 12,819	$ 1,229,401

Commitments (note 10)
Subsequent events (note 13)

See accompanying notes to the non-consolidated financial statements.

Approved on behalf of the Board:

_______________ Director _______________ Director

VANCOUVER FOUNDATION

Non-Consolidated Statement of Operations
(Expressed in thousands of dollars)

Year ended December 31, 2018, with comparative information for 2017

	December 31, 2018			December 31, 2017		
	Restricted	Unrestricted	Total	Restricted	Unrestricted	Total
Revenue:						
Contributions (note 6)	$ 52,962	$ -	$ 52,962	$ 49,328	$ -	$ 49,328
Investment and interest income (loss)	(3,029)	406	(2,623)	99,127	140	99,267
	49,933	406	50,339	148,455	140	148,595
Expenses:						
Charitable activities:						
Charitable programming	2,794	-	2,794	2,868	-	2,868
Grants (note 3(b) and 8)	59,795	-	59,795	53,908	-	53,908
	62,589	-	62,589	56,776	-	56,776
Management and administration:						
Administration and other fund expenses (note 7)	372	6,938	7,310	415	6,123	6,538
Investment management and custodian fee expenses	6,628	-	6,628	6,875	-	6,875
	7,000	6,938	13,938	7,290	6,123	13,413
Excess (deficiency) of revenue over expenses	(19,656)	(6,532)	(26,188)	84,389	(5,983)	78,406
Fund balances, beginning of year	1,215,949	11,668	1,227,617	1,137,276	11,935	1,149,211
Interfund transfers:						
Administration fees	(7,232)	7,232	-	(7,491)	7,491	-
Other interfund transfers	61	(61)	-	1,775	(1,775)	-
	(7,171)	7,171	-	(5,716)	5,716	-
Fund balances, end of year	$ 1,189,122	$ 12,307	$ 1,201,429	$ 1,215,949	$ 11,668	$ 1,227,617

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, 2018, with comparative information for 2017

	December 31, 2018				December 31, 2017			
	Contributed principal	Retained returns from investments	Invested in capital assets	Total	Contributed principal	Retained returns from investments	Invested in capital assets	Total
Fund balances, beginning of year	$ 874,537	$ 352,784	$ 296	$1,227,617	$ 828,434	$ 320,376	$ 401	$ 1,149,211
Excess (deficiency) of revenue over expenses	38,157	(64,197)	(148)	(26,188)	32,253	46,281	(128)	78,406
Invested in capital assets	-	(108)	108	-	-	(23)	23	-
Transfers from contributed principal to retained returns	(12,912)	12,912	-	-	(6,359)	6,359	-	-
Recapitalized income	5,378	(5,378)	-	-	20,209	(20,209)	-	-
Fund balances, end of year	$ 905,160	$ 296,013	$ 256	$1,201,429	$ 874,537	$ 352,784	$ 296	$ 1,227,617

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, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ (26,188)	$ 78,406
Items not affecting cash:		
Unrealized loss (gain) on investments	81,047	(36,823)
Unrealized gain on life insurance	(186)	(154)
Amortization	148	128
	54,821	41,557
Changes in non-cash items:		
Accrued investment income receivable	(86)	(55)
Accounts receivable	75	(176)
Accounts payable and accrued liabilities	(125)	693
Net cash from operations	54,685	42,019
Investing:		
Capital asset additions	(108)	(23)
Transfers from cash to investments	(53,898)	(44,905)
Net cash from investing	(54,006)	(44,928)
Increase (decrease) in cash	679	(2,909)
Cash, beginning of year	15,615	18,524
Cash, end of year	$ 16,294	$ 15,615

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(d) and 9.

(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 Funds:

The Restricted Funds 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 contributed principal 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 or charitable activities 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*) Unrestricted Fund:

The Unrestricted Fund is comprised of unrestricted resources available for the Foundation's general operating activities. These activities include management and administration and charitable activities. The cost of these activities is reported in the expenses of the Unrestricted Fund.

2. Significant accounting policies (continued):

(b) Financial instruments:

The Foundation's financial instruments consist of cash, accounts receivable, short-term investments, common shares and convertible securities, bonds and debentures, mortgages and real estate investments, cash surrender value of life insurance policies, accrued investment income receivable, long-term investments 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*) Short-term investments:

Short-term investments includes a short term bond and mortgage fund held for administrative operating reserve purposes with a fair value of $8,170 (2017 - nil).

(*iii*) Investments:

Investments include common shares, convertible securities, bonds, debentures, mortgages and real estate, bills and notes held for re-investment, 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.

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
Short-term investments	Fair value
Investments	Fair value
Other assets	Fair value
Amounts receivable	Amortized cost
Accrued investment income 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) Capital assets:

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

Expenditures incurred during the development phase of new software are expensed as incurred.

(d) Controlled entities:

(*i*) British Columbia Unclaimed Property Society:

On March 3, 2003, the British Columbia Unclaimed Property Society ("BCUPS") was incorporated under the Society Act of the Province of British Columbia. On February 27, 2017, BCUPS transitioned to the new 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 9.

(*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 balances and transactions of Friends during 2018 and 2017 were not significant. Summary financial statements of Friends have not been included in these notes.

2. Significant accounting policies (continued):

(e) Revenue recognition:

Contributions are recognized as revenue in the Restricted or Unrestricted Fund, as the case may be, 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. Investment and interest income on unrestricted funds is recognized as revenue in the Unrestricted Fund.

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

(f) Grants:

Grants are recorded when paid by the Foundation.

(g) Interfund transfers:

Interfund transfers include amounts transferred as directed by fund advisors, amounts charged for administrative and investment management fees or as approved by the Board.

(h) 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.

(i) 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.

(j) Management estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts and disclosures reported in financial statements and accompanying notes. Management believes that the estimates utilized in preparing these non-consolidated financial statements are reasonable; however, actual results could differ from these estimates.

2. Significant accounting policies (continued):

(k) 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 9.

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 and investment managers. Investment managers operate within a mandate that establishes the investment approach, investment restrictions and the performance measurement 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.

Details of significant terms and conditions and exposures to interest rate and credit risks on investments are disclosed in note 11.

(a) Investment portfolio:

(*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, with differing investment styles and mandates. Equities are valued using published market quotations.

The Foundation is also invested in three 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.

(Amounts expressed in thousands of dollars)

3. Investments (continued):

(a) Investment Portfolio (continued):

(*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.

(*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.

(b) Encroachable Funds:

Certain restricted funds may be subject to full or partial withdrawal in accordance with the deed of gift. As at December 31, 2018, the maximum total fund assets subject to withdrawal are estimated to be as follows:

2019	$ 87,175
2020	78,068
2021	11,117
2022	7,983
2023	2,619
Thereafter	6,374
	$ 193,336

Board approval is required for fund withdrawals. During the year ended 2018, $2,601 (2017 - $6,454) was withdrawn.

4. Other assets:

Other assets include an investment in a social finance program of $1,367 (2017 - $1,072) and the estimated cash surrender value of life insurance policies of $1,829 (2017 - $1,643).

The Foundation is the owner and beneficiary of life insurance policies with face values totaling $16,413 at December 31, 2018 (2017 - $16,386). 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.

(Amounts expressed in thousands of dollars)

5. Capital assets:

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

2017	Cost	Accumulated amortization	Net book value
Computer and office equipment	$ 433	$ 310	$ 123
Office furniture	145	65	80
Leasehold improvements	240	147	93
Information technology software	59	59	-
	$ 877	$ 581	$ 296

Additions to capital assets for the year ended 2018 totaled $108 (2017 - $23). Amortization expense for the year ended 2018 totaled $148 (2017 - $128). There were no write downs of capital assets for the years ended 2018 or 2017.

6. Contributions:

Contributions are received from various sources, mainly individuals, organizations and government. A summary of contributions received at December 31, 2018, with comparative information from 2017 is as follows:

	2018	2017
General	$ 52,353	$ 42,052
Government	609	7,276
	$ 52,962	$ 49,328

(Amounts expressed in thousands of dollars)

7. Administration and other fund expenses:

	2018	2017
Finance, human resources and general operations	$ 3,941	$ 3,213
Information technology	1,314	1,326
Donor services	1,683	1,584
Other fund expenses	372	415
	$ 7,310	$ 6,538

8. Grants:

Grants are composed of grants and distributions paid to qualified donees and retractions paid out for funds withdrawn in the year (note 3(b)).

	2018	2017
Grants and distributions	$ 57,194	$ 47,454
Retractions (note 3(b))	2,601	6,454
	$ 59,795	$ 53,908

9. British Columbia Unclaimed Property Society:

(a) A summary of the unaudited financial statements of the British Columbia Unclaimed Property Society as at December 31, 2018, with comparative information for 2017 for the statement of financial position is as follows:

Statement of Financial Position	2018	2017
Cash and cash equivalents	$ 3,122	$ 3,375
GST receivable	6	5
Prepaid expenses	6	11
Investments	38,640	37,221
	$ 41,774	$ 40,612
Accounts payable and accrued liabilities	$ 79	$ 84
Restricted funds:		
Old unclaimed property funds (note 9(b))	449	600
New unclaimed property funds	40,523	38,778
Unrestricted funds	723	1,150
	$ 41,774	$ 40,612

(Amounts expressed in thousands of dollars)

9. British Columbia Unclaimed Property Society (continued):

(a) (continued):

Statement of Operations	2018	2017
Receipts of Unclaimed Property	$ 6,115	$ 17,198
Investment income	534	840
Operating expenses (note 9(c))	(961)	(773)
Distributions to claimants	(1,721)	(942)
Transfers to Vancouver Foundation (note 9(d))	(2,800)	(2,800)
Excess of revenue over expenses	1,167	13,523
Fund balance, beginning of year	40,528	27,005
Fund balance, end of year	$ 41,695	$ 40,528

Statement of Cash Flows	2018	2017
Excess of revenue over expense	$ 1,167	$ 13,523
Items not affecting cash	572	(31)
Net changes in non-cash working capital balances	(1)	30
Cash flows from operating activities	1,738	13,522
Cash flows related to investing activities	(1,991)	(12,984)
Increase (decrease) in cash and cash equivalents	(253)	538
Cash and cash equivalents, beginning of year	3,375	2,837
Cash and cash equivalents, end of year	$ 3,122	$ 3,375

(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 2018, the balance of these unused funds is $449 (2017 - $600).

(c) The Foundation subleases office space to the Society, in respect of which it charged the Society $50 for the year ended 2018 (2017 - $40).

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 2018 was $39 (2017 - $38).

(Amounts expressed in thousands of dollars)

9. British Columbia Unclaimed Property Society (continued):

(d) As provided for in the Administration Agreement, in 2017 the Society committed to contribute in 2018, from new unclaimed property funds held by it $2,800 (2017 - $2,800) to the Foundation for its charitable purposes.

In 2018, the Board of Directors of the Society approved an additional transfer of $4,200 to the Foundation for its charitable purposes in 2019.

(e) The Society has an outstanding payable to the Foundation of $3 (2017 - $14) as at December 31, 2018.

10. Commitments:

Leases:

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:

2019	$	625
2020		156
	$	781

11. 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.

11. Financial risk management (continued):

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 2017.

(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 2017.

(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 Canadian core plus bond portfolio investment manager is restricted as to the unhedged foreign currency component of the foreign bond investments.

11. Financial risk management (continued):

(c) Market risk (continued):

(*i*) Currency risk (continued):

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 2017.

(*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 2017.

(*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 2017.

(*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 three 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 2017.

12. 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 2018 or 2017.

13. Subsequent events:

On January 17, 2019, the Supreme Court of British Columbia rendered a decision requiring the Foundation to return the capital of a permanent fund to a beneficiary. A Notice of Appeal has been filed and no appeal date has been set.

The Foundation has recorded the judgement in the financial statements. The effect of the judgment on other funds held by the Foundation is not determinable at this time.

14. Comparative information:

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