The YMCA of Greater Vancouver Properties Foundation

Financial statements

December 31, 2021

Building a better working world

Independent auditor's report

To the Directors of
The YMCA of Greater Vancouver Properties Foundation

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **The YMCA of Greater Vancouver Properties Foundation** [the "Properties Foundation"], which comprise the statement of financial position as at December 31, 2021, and the statement of changes in net assets, statement of operations, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Properties Foundation as at December 31, 2021, and its results of 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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Properties 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 Properties 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 Properties Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Properties Foundation's financial reporting process.

Auditor's 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 auditor's 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 these 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 Properties 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 Properties 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 auditor's 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 auditor's report. However, future events or conditions may cause the Properties 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.

We 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.

Report on other legal and regulatory requirements

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

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
June 9, 2022

The YMCA of Greater Vancouver Properties Foundation

Statement of financial position

As at December 31

	2021	2020
	$	$
Assets		
Properties, net *[note 3]*	**60,580,139**	61,935,028
Property under development *[note 4]*	**19,039,868**	6,100,000
Cash	**2,426,816**	1,301,762
Amounts receivable *[note 11]*	**657,409**	220,752
Total assets	**82,704,232**	69,557,542
Liabilities and net assets		
Deferred capital contributions *[note 6]*	**31,996,939**	33,351,828
Construction loan *[note 7]*	**11,206,935**	—
Bankers' acceptance *[note 8]*	**2,115,302**	2,229,242
Accounts payable and accrued liabilities	**1,306,503**	13,109
Derivative liability *[note 8]*	**28,786**	128,399
Due to the YMCA of Greater Vancouver *[note 5]*	**1,513,010**	214,114
Total liabilities	**48,167,475**	35,936,692
Commitments *[note 4]*		
Net assets		
Unrestricted	**264,711**	1,295,291
Invested in properties	**34,272,046**	32,325,559
Total net assets	**34,536,757**	33,620,850
Total liabilities and net assets	**82,704,232**	69,557,542

See accompanying notes

On behalf of the Board:

Director

Director

The YMCA of Greater Vancouver Properties Foundation

Statement of changes in net assets

Year ended December 31

	2021				2020
	Invested in properties	Unrestricted	Externally restricted	Total	Total
	$	$	$	$	$
Net assets, beginning of year	**32,325,559**	**1,295,291**	**—**	**33,620,850**	26,784,466
Excess of revenue over expenses for the year	**20,552**	**895,355**	**—**	**915,907**	736,384
Contribution *[note 4]*	**—**	**—**	**—**	**—**	6,100,000
Contribution *[note 11]*	**—**	**—**	**200,000**	**200,000**	200,000
Grant to The YMCA of Greater Vancouver *[note 11]*	**—**	**—**	**(200,000)**	**(200,000)**	(200,000)
Transfer to invested in properties	**1,925,935**	**(1,925,935)**	**—**	**—**	—
Net assets, end of year	**34,272,046**	**264,711**	**—**	**34,536,757**	33,620,850

See accompanying notes

The YMCA of Greater Vancouver Properties Foundation

Statement of operations

Year ended December 31

	2021	2020
	$	$
Revenue		
Rent *[note 5]*	**4,222,879**	4,513,919
Other income	**821**	2,020
	4,223,700	4,515,939
Expenses		
Grants to the YMCA of Greater Vancouver *[note 5]*	**3,372,665**	3,517,343
Office, legal, professional and contract services	**36,197**	27,178
Planning expenses	**81,980**	195,566
Administration fee charged by the YMCA of Greater Vancouver *[note 5]*	**34,934**	37,423
Insurance	**2,569**	2,196
	3,528,345	3,779,706
Excess of revenue over expenses before the following	**695,355**	736,233
Interest expense *[note 8]*	**(79,061)**	(83,675)
Amortization of properties *[note 3]*	**(1,354,889)**	(1,354,889)
Amortization of deferred capital contributions *[note 6]*	**1,354,889**	1,354,889
Restricted contribution recognized as revenue *[note 11]*	**200,000**	200,000
Gain (loss) on derivative liability *[note 8]*	**99,613**	(116,174)
Excess of revenue over expenses for the year	**915,907**	736,384

See accompanying notes

The YMCA of Greater Vancouver Properties Foundation

Statement of cash flows

Year ended December 31

	2021	2020
	$	$
Operating activities		
Excess of revenue over expenses for the year	**915,907**	736,384
Add (deduct) items not involving cash		
Amortization of properties	**1,354,889**	1,354,889
Amortization of deferred capital contributions	**(1,354,889)**	(1,354,889)
(Gain) loss on derivative liability	**(99,613)**	116,174
	816,294	852,558
Changes in non-cash working capital balances		
Amounts receivable	**(436,657)**	(204,578)
Accounts payable and accrued liabilities	**1,293,394**	847
Due to the YMCA of Greater Vancouver	**1,298,896**	(1,057)
Cash provided by operating activities	**2,971,927**	647,770
Investing activities		
Additions to property under development	**(12,939,868)**	—
Cash used in financing activities	**(12,939,868)**	—
Financing activities		
Repayment of bankers' acceptance	**(113,940)**	(106,663)
Proceeds from construction loan	**11,206,935**	—
Cash provided by (used in) financing activities	**11,092,995**	(106,663)
Net increase in cash during the year	**1,125,054**	541,107
Cash, beginning of year	**1,301,762**	760,655
Cash, end of year	**2,426,816**	1,301,762
Supplemental non-cash investing and finance activity		
Contribution of property	**—**	6,100,000

See accompanying notes

Notes to financial statements

December 31, 2021

1. Purpose of organization

The YMCA of Greater Vancouver Properties Foundation [the "Properties Foundation"] is an independent organization incorporated under the *Society Act* of British Columbia and is a registered public foundation under the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes. The Properties Foundation transitioned to the new *Societies Act* of British Columbia in June 2017. The Properties Foundation rents its land and buildings to the YMCA of Greater Vancouver ["YMCA"] and makes charitable gifts to the YMCA to assist in building strong kids, strong families and strong communities – today and tomorrow. The YMCA and the Properties Foundation share common management. These financial statements do not include the results of the YMCA.

COVID-19 outbreak

The outbreak of the coronavirus disease ["COVID-19"] has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak are unknown at this time, as is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Property Foundation in future periods.

2. Summary of significant accounting policies

Accounting standards

These financial statements are prepared in accordance with *CPA Canada Handbook – Accounting*, Part III, "Accounting Standards for Not-for-Profit Organizations".

Revenue recognition

The Properties Foundation follows the deferral method of accounting for contributions, which includes grants and donations. Externally restricted contributions are initially deferred and then recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges are recognized as revenue if collection is reasonably assured, otherwise they are not recognized until the cash or asset is received. Contributions of amortizable assets are recognized as deferred capital contributions and are recognized as income on the same basis as the related assets are amortized. Contributions of non-amortizable assets are recognized as direct increases in net assets.

The Properties Foundation has retained substantially all of the benefits and risks of ownership of its properties and, therefore, accounts for leases with its tenant as operating leases. Rent revenue is recognized using the straight-line method, whereby the total amount of rent revenue to be received from a lease is accounted for on a straight-line basis over the term of the lease and collection is reasonably assured.

Cash

Cash consists of cash on deposit with banks and highly liquid short-term investments with an original maturity of approximately three months or less from the date of purchase, unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

Properties

Properties are recorded at cost for property purchased by the Properties Foundation and at fair value at the time of donation for contributed property. The Properties Foundation provides for amortization on buildings on a straight-line basis over the greater of the cost less salvage value over the life of the asset and the cost less residual value over the useful life of the assets of 30 years.

When conditions indicate that a property no longer contributes to the Property Foundation's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the item is less than its net carrying amount, the item is written down to its fair value or replacement cost. The write-down is recognized as an expense in the statement of operations and is not reversed.

Property under development

Property under development is recorded at cost and is not amortized. When project construction is complete, the property under development is transferred to the appropriate asset categories within properties and amortized over its useful life. Interest incurred that is directly attributable to the development and construction of the property is capitalized as part of the property under development.

Financial instruments

The Properties Foundation initially and subsequently measures derivative financial instruments at fair value.

All other financial assets and financial liabilities are initially measured at fair value, net of directly attributable costs of acquisition, and subsequently measured at cost or amortized cost. At each reporting date, the Properties Foundation assess whether there are any indications that a financial asset measured at cost or amortized may be impaired. The amount of any impairment provision is recognized in the statement of operations. A previously recognized impairment provision may be reversed to the extent of any improvements relating to events occurring after the impairment was recognized. The amount of the reversal is recognized in the statement of operations in the period in which it is determined.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent; however, actual results could differ from those estimates.

Notes to financial statements

December 31, 2021

3. Properties

	2021			
	Land	Buildings	Accumulated amortization	Net book value
	$	$	$	$
Location				
Chilliwack Family YMCA	**2,703,000**	**331,330**	**157,460**	**2,876,870**
Robert Lee YMCA – Downtown	**9,357,000**	**25,765,000**	**5,439,277**	**29,682,723**
Langara Family YMCA	**6,537,000**	**108,000**	**22,800**	**6,622,200**
Tong Louie Family YMCA – Surrey *[note 6]*	**7,311,000**	**12,719,300**	**2,685,186**	**17,345,114**
Camp Elphinstone	**2,577,000**	**1,729,000**	**365,012**	**3,940,988**
Healthy Heart Office – New Westminster	**98,200**	**17,800**	**3,756**	**112,244**
	28,583,200	**40,670,430**	**8,673,491**	**60,580,139**

	2020			
	Land	Buildings	Accumulated amortization	Net book value
	$	$	$	$
Location				
Chilliwack Family YMCA	2,703,000	331,330	147,208	2,887,122
Robert Lee YMCA – Downtown	9,357,000	25,765,000	4,580,444	30,541,556
Langara Family YMCA	6,537,000	108,000	19,200	6,625,800
Tong Louie Family YMCA – Surrey *[note 6]*	7,311,000	12,719,300	2,261,209	17,769,091
Camp Elphinstone	2,577,000	1,729,000	307,378	3,998,622
Healthy Heart Office – New Westminster	98,200	17,800	3,163	112,837
	28,583,200	40,670,430	7,318,602	61,935,028

4. Property under development

In 2019, together with the YMCA, the Properties Foundation entered into a Project Development and Co-ownership Agreement with the City of Coquitlam [the “City”] for the development and construction of a new recreational and community facility [the “Coquitlam YMCA”]. During the year ended December 31, 2020, the Properties Foundation received a specified transfer gift of land from the City of Coquitlam with an estimated fair value of $6,100,000. The Properties Foundation has a 50% undivided interest as tenants in common in the Coquitlam YMCA with the City.

As at December 31, 2021, the Coquitlam YMCA is under construction. The construction costs associated with the base building are recognized by the Properties Foundation and the core fit-out costs are recognized by the YMCA. The following costs having been incurred and capitalized to property under development by the Properties Foundation:

	$
Land	6,100,000
Development and construction costs	12,852,765
Interest *[note 7]*	87,103
	19,039,868

As at December 31, 2021, the Properties Foundation has committed to a construction contract for the Coquitlam YMCA with the estimated remaining costs to be incurred related to the base building and core fit-out of approximately $11,484,000, of which approximately $5,599,000 relates to base building and approximately $5,885,000 relates to core fit-out.

5. YMCA of Greater Vancouver

The YMCA is an independent charitable organization separately registered as a charity under the *Income Tax Act* (Canada) and incorporated under the *Societies Act* (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.

The YMCA has committed to lease the buildings and land of the Properties Foundation for a 10-year term with two renewal terms. For the year ended December 31, 2021, the Properties Foundation charged the YMCA rent of $4,222,879 [2020 – $4,513,919]. In addition, at the direction of the Properties Foundation's Directors, the Properties Foundation made grants of $3,372,665 [2020 – $3,517,343] to the YMCA during the year ended December 31, 2021. For the year ended December 31, 2021, the administration fee charged by the YMCA was $34,934 [2020 – $37,423].

As at December 31, 2021, $1,513,010 [2020 – $214,114] is payable to the YMCA that is unsecured, non-interest bearing, and without specified repayment terms.

Transactions between the Properties Foundation and the YMCA are in the normal course of operations and are measured at the exchange amount established and agreed between the parties.

6. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of depreciable property contributed to the Properties Foundation. The amortization of deferred capital contributions is recorded as revenue in the statement of operations on the same basis that the related properties are amortized. In September 2015, the Properties Foundation received a specified transfer gift consisting of properties held at 282 49th Avenue West, Vancouver; 955 Burrard Street, Vancouver, 1760 YMCA Road, Langdale; #203 - 245 East Columbia Street, New Westminster; and 14988 and 15011 57th Avenue, Surrey. Changes in the deferred capital contributions balance are as follows:

	2021	**2020**
	$	$
Balance, beginning of year	**33,351,828**	34,706,717
Amortization of deferred capital contributions	**(1,354,889)**	(1,354,889)
Balance, end of year	**31,996,939**	33,351,828

7. Construction loan

During the year ended December 31, 2021, the Properties Foundation entered into a credit facility agreement that comprises a non-revolving term loan to a maximum of $27,500,000 and a revolving term loan to a maximum of $4,000,000. The loans are to be used to finance the development, construction, and leasehold improvements of the Coquitlam YMCA *[note 4]*.

As at December 31, 2021, $11,206,935 was outstanding under the non-revolving term loan bearing interest at the bank's prime rate plus 0.25% per annum. The bank's prime rate at December 31, 2021 was 2.45% per annum. During the year ended December 31, 2021, interest aggregating $87,103 was incurred on the non-revolving term loan and capitalized to property under development *[note 4]*.

As at December 31, 2021, no amount had been drawn against the revolving term loan which can be drawn by way of direct advances bearing interest at the bank's prime rate plus 0.25% per annum, bankers' acceptances with an acceptance fee of 1.50% per annum, or fixed interest rate advances bearing a fixed interest rate to be determined at the time of borrowing. If the Properties Foundation does not make an initial borrowing under this loan before July 31, 2022, the lender may cancel this loan.

Both loans are repayable in full by the earlier of the completion of the sale of certain real property comprising the Langara Family YMCA *[note 3]* and October 31, 2023.

A $31,500,000 first collateral mortgage and assignment of rents over each of the Coquitlam YMCA and the Langara Family YMCA, a first security interest over all personal property located on or related to each of the Coquitlam YMCA and the Langara Family YMCA, a first ranking assignment in the Project Development and Co-Ownership Agreement and the development agreements and contracts for the Coquitlam YMCA, priority and subordination agreements from the YMCA and The YMCA of Greater Vancouver Foundation related to the Coquitlam YMCA and the Langara Family YMCA, and a guarantee and postponement of claim for $31,500,000 from each of the YMCA and The YMCA of Greater Vancouver Foundation are provided as collateral for the credit facilities.

8. Bankers' acceptance

As at December 31, 2021, the Properties Foundation has a bankers' acceptance ["BA"] facility of $2,750,000 bearing interest at the one-month BA rate plus an acceptance fee of 1.5% per annum, which is available through November 2025. The Properties Foundation has entered into an interest rate swap contract [the "swap"] with a notional principal of $2,548,000. As a result of entering into the swap agreement, the fixed interest rate payable by the Properties Foundation is 3.64% per annum. As at December 31, 2021, the interest swap has an outstanding balance of $2,115,302 [2020 – $2,229,242] which matures monthly until November 2025. Monthly interest and principal payments required under the facility are $12,500.

As at December 31, 2021, the swap was in a net unfavorable position of $28,786 [2020 – $128,399] and the gain, being the change in fair value, for 2021 of $99,613 [2020 – loss of $116,174] has been recorded in the statement of operations. For the year ended December 31, 2021, interest expense recorded on the facility was $79,061 [2020 – $83,675]. The loan is collateralized by an $8,000,000 first fixed charge mortgage over the land and improvements of the Tong Louie Family YMCA – Surrey with a carrying amount of $17,345,114 [2020 – $17,769,091] as at December 31, 2021.

9. Financial instruments

Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Properties Foundation's bankers' acceptance and construction loan bear interest at a variable market interest rate and the Properties Foundation has entered into an interest rate swap to fix the interest rate on the bankers' acceptance to manage the effects of this risk.

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 Properties Foundation is exposed to credit risk in the event of non-performance by counterparties in connection with its cash and amounts receivable. The Properties Foundation mitigates its credit risk with respect to cash by dealing with Canadian financial institutions with no publicly known liquidity problems and, with respect to accounts receivable, by dealing only with what management believes to be sound counterparties.

Liquidity risk

Liquidity risk is the risk that the Properties Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Properties Foundation is exposed to liquidity risk arising from its construction loan, bankers' acceptance, accounts payable and accrued liabilities, and due to the YMCA of Greater Vancouver. The Properties Foundation's ability to meet its obligations depends on cash flows generated from operations and its ability to obtain financing from existing or other potential lenders.

Notes to financial statements

December 31, 2021

10. Remuneration to directors, employees and contractors

The Directors of the Properties Foundation are not remunerated and the Properties Foundation does not have any employees or independent contractors.

11. City of Chilliwack

The City of Chilliwack has entered into a ten-year funding agreement ending in 2027 with the Properties Foundation to provide $200,000 annually in relation to the Chilliwack Family YMCA facility. At December 31, 2021, $200,000 [2020 – $200,000] is included in amounts receivable, and a cumulative total of $800,000 [2020 – $600,000] has been recognized pursuant to this agreement.

12. Contingency

The Properties Foundation has issued a guarantee and postponement of claim in the amount of $12,400,000 in connection with certain bank debt issued to the YMCA which had a balance outstanding in the amount of $9,698,088 [2020 – $10,544,281] at December 31, 2021.

13. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.