
FINANCIAL STATEMENTS

**VANCOUVER HERITAGE
FOUNDATION**

December 31, 2014

TOMPKINS, WOZNY, MILLER & Co.
Chartered Accountants

A partnership of incorporated professionals.

INDEPENDENT AUDITOR'S REPORT

To the Members of

The City of Vancouver Heritage Conservation Foundation (operating as Vancouver Heritage Foundation)

Report on the Financial Statements

We have audited the accompanying financial statements of Vancouver Heritage Foundation, which comprise the statement of financial position as at December 31, 2014, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations and fundraising the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments for unrecorded revenue might be necessary to donations and fundraising revenue, revenue over expenses, assets and fund balances.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Vancouver Heritage Foundation as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Society Act, we report that the accounting principles used in these financial statements have been applied on a basis consistent with that of the preceding year.

The comparative figures for the year-ended December 31, 2013 were audited by another firm of chartered accountants who expressed a qualified opinion (donations) thereon in their report dated February 24, 2014.

Tompkins, Wozny, Miller & Co.

Vancouver, Canada

February 23, 2015

Chartered Accountants

The City of Vancouver Heritage Conservation Foundation
(Operating as Vancouver Heritage Foundation)

STATEMENT OF FINANCIAL POSITION

As at December 31

	2014	2013
	\$	\$
ASSETS		
Current		
Cash	90,555	108,763
Term deposits [note 3]	104,000	54,000
Accounts receivable [note 5]	8,818	14,433
Prepaid expenses	2,539	2,781
	205,912	179,977
Restricted cash [note 4]	1,000	1,000
Long-term investments [note 6]	987,891	922,466
	1,194,803	1,103,443
LIABILITIES AND FUND BALANCES		
Current liabilities		
Accounts payable and accruals [note 8]	21,038	15,885
Deferred contributions [note 9]	8,460	6,525
Heather Pavilion Restoration [note 4]	1,000	1,000
Total current liabilities	30,498	23,410
Deferred endowment contributions [note 10]	136,000	141,000
Total liabilities	166,498	164,410
Fund Balances		
Internally Restricted for Endowment Purposes	723,422	661,255
Save the Building Fund	153,403	141,724
Unrestricted	151,480	136,054
	1,028,305	939,033
	1,194,803	1,103,443

Line of credit [note 7]

Economic dependence and future operations [note 14]

Commitments [note 16]

See accompanying notes to the financial statements

On behalf of the Board:

Director

Director

The City of Vancouver Heritage Conservation Foundation
(Operating as Vancouver Heritage Foundation)

STATEMENT OF CHANGES IN FUND BALANCES

Year ended December 31

	Internally restricted for Endowment \$	Save the Buildings Fund \$	Unrestricted \$	Total \$
2014	<i>[note 6]</i>	<i>[note 6]</i>		
Balance, beginning of year	661,255	141,724	136,054	939,033
Excess of revenue for the year	—	—	89,272	89,272
Interfund transfers - investment income <i>[note 11]</i>	57,167	11,679	(68,846)	—
- deferred contributions <i>[note 11]</i>	5,000	—	(5,000)	—
Balance, end of year	723,422	153,403	151,480	1,028,305
2013				
Balance, beginning of year	525,936	133,065	171,933	830,934
Excess of revenue for the year	—	—	108,099	108,099
Interfund transfers - investment income <i>[note 11]</i>	71,319	8,659	(79,978)	—
- deferred contributions <i>[note 11]</i>	64,000	—	(64,000)	—
Balance, end of year	661,255	141,724	136,054	939,033

See accompanying notes to the financial statements

The City of Vancouver Heritage Conservation Foundation
(Operating as Vancouver Heritage Foundation)

STATEMENT OF OPERATIONS

Year ended December 31

	2014	2013
	\$	\$
REVENUE		
Grants - City of Vancouver	120,000	118,000
House tours	108,808	84,228
Donations and fundraising	87,151	132,095
Gain from long-term investments	78,235	92,350
Special projects	44,468	36,870
Interest	28,601	27,890
Other programs	28,453	27,295
Dividends	10,959	11,119
Other grants received	10,000	2,800
Old school - Courses for building conservation	5,392	14,894
	522,067	547,541
EXPENSES		
Staff and contractors	251,809	250,477
Other programs, granting and special projects <i>[note 12]</i>	56,994	52,652
Rent	35,079	34,615
House tours	17,830	15,906
Professional fees	15,748	14,992
Office supplies, utilities and other	15,705	17,407
Investment fees	9,138	8,342
Fundraising	8,809	9,992
Marketing and communication	8,304	12,286
Bank charges and interest	6,202	3,569
Old school - Courses for building conservation	3,243	9,894
Insurance	2,167	2,067
Board of directors	1,340	2,048
GST expense	427	5,195
	432,795	439,442
Excess of revenue over expenses	89,272	108,099

See accompanying notes to the financial statements

The City of Vancouver Heritage Conservation Foundation
(Operating as Vancouver Heritage Foundation)

STATEMENT OF CASH FLOWS

Year ended December 31

	2014	2013
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues for the year	89,272	108,099
Items not affecting cash:		
Unrealized gain on long-term investments	(74,694)	(92,350)
Deferred endowment contributions recognized in income	(5,000)	(64,000)
Write-down of art inventory	—	2,162
Changes in non-cash working capital items:		
Accounts receivable	5,615	(1,016)
Prepaid expenses	242	99
Accounts payable and accruals	5,153	(11,020)
Deferred contributions	1,935	4,231
Cash provided by (used in) operating activities	22,523	(53,795)
INVESTING ACTIVITIES		
Purchase of long-term investments	(288,900)	(298,889)
Proceeds on disposal of long-term investments	298,169	299,024
Cash provided by investing activities	9,269	135
FINANCING ACTIVITIES		
Endowment contributions	—	4,500
Cash provided by financing activities	—	4,500
Increase (decrease) in cash during the year	31,792	(49,160)
Cash, beginning of year	163,763	212,923
Cash, end of year	195,555	163,763
Cash consists of:		
Cash	90,555	108,763
Term deposits	104,000	54,000
Restricted cash	1,000	1,000
	195,555	163,763

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

1. NATURE OF THE ORGANIZATION

The Vancouver Heritage Foundation (the "Foundation") is a not-for-profit organization incorporated in 1992 under the Society Act. Its principal activity is operating programs to promote the preservation, maintenance, and restoration of Vancouver city buildings, structures and lands with historical or architectural significance in recognition of their public benefit. The Foundation is a registered charity and is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses reported during the year. Significant areas requiring the use of management estimates relate to the determination of the deferred portion of contributions. Actual results could differ from these estimates.

Fund Accounting

The Foundation has the following funds:

The Save the Buildings Fund is a self-sustaining fund managed by the Foundation that purchases heritage buildings within the City of Vancouver that are under threat of either demolition or renovation that would remove their character defining elements.

The Endowment Fund is an internally restricted fund for the purpose of providing operating funds to the Foundation.

Revenue Recognition

The Foundation follows the deferral method of accounting for contributions.

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. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Endowment contributions are recognized as deferred endowment contributions when received, net of a ten percent Administration Cost Recovery that is included as revenue in the unrestricted fund. After ten years, the contributions are no longer restricted and are recognized as revenue in the unrestricted fund. The Foundation intends to transfer all revenue recognized from endowment contributions to the internally restricted endowment fund.

Revenue from donations and fundraising is recorded when received.

Revenue from house tours and special events are recorded when the event takes place.

Interest and dividend income is recognized when received.

Contributed Services

The Foundation benefits from services contributed in the form of volunteer time. Due to the difficulty in determining the fair value of such services, the value of contributed services are not recognized in these financial statements.

Long-term Investments

Long-term investments are recorded at market value, with changes in market value being recognized in net income.

Measurement of Financial Instruments

The Foundation initially measures its financial assets and financial liabilities at fair value.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for its long-term investments, which are measured at market value.

Financial assets measured at amortized cost include cash, term deposits, accounts receivable, restricted cash.

Financial liabilities measured at amortized cost includes accounts payable and accruals.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

The City of Vancouver Heritage Conservation Foundation
(Operating as Vancouver Heritage Foundation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash

Cash is defined as cash on hand, cash on deposit, and net of cheques issued and outstanding at the year-end.

The Foundation's statement of cash flows is prepared on a net cash basis and cash flows from operating activities are reported using the indirect method.

3. TERM DEPOSITS

The Foundation's term deposits bear interest rate of 1.3% and have maturity dates ranging from June 2015 to November 2015.

4. RESTRICTED CASH

The Foundation has restricted \$1,000 of cash held on the behalf of the Heather Heritage Society for the restoration of the Heather Pavilion at the Vancouver General Hospital building at 855 West 12th Avenue in Vancouver.

5. ACCOUNTS RECEIVABLE

	2014	2013
	\$	\$
Operations	8,818	13,980
Government receivable - GST	—	453
	8,818	14,433

6. LONG-TERM INVESTMENTS

	2014		2013	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Save the Buildings Fund	125,584	153,403	123,732	141,724
Endowment Fund	655,859	834,488	668,310	780,742
	781,443	987,891	792,042	922,466

The City of Vancouver Heritage Conservation Foundation
(Operating as Vancouver Heritage Foundation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

6. LONG-TERM INVESTMENTS (CONT'D)

The long-term investments restricted for the Save the Buildings Fund are managed by the Foundation to purchase, as a last resort, heritage buildings that are under threat of demolition in order to protect their heritage designation and to upgrade heritage buildings with energy efficient retrofits. The balance of the long-term investments is restricted for the deferred endowment contributions and the internally restricted endowment fund.

7. LINE OF CREDIT

The Foundation has a line of credit available bearing interest at prime plus 2% and is secured by a general security agreement over the Foundation's properties. The total financing available under the facility is \$30,000. As at December 31, 2014, no amount has been drawn on this facility.

8. ACCOUNTS PAYABLE AND ACCRUALS

	2014	2013
	\$	\$
Operations	10,932	10,298
Wages and vacation payable	4,729	129
Government remittances - WorkSafeBC	433	—
- GST	751	—
- Payroll taxes	4,193	5,458
	21,038	15,885

9. DEFERRED CONTRIBUTIONS

	2014	2013
	\$	\$
Balance, beginning	6,525	2,294
Deposits received for special projects	8,460	5,025
Recognized as revenue during the year	(6,525)	(794)
	8,460	6,525

The City of Vancouver Heritage Conservation Foundation
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NOTES TO FINANCIAL STATEMENTS

December 31, 2014

10. DEFERRED ENDOWMENT CONTRIBUTIONS

	2014	2013
	\$	\$
Balance, beginning	141,000	200,500
Endowment contributions received	—	4,500
Recognized as revenue during the year	(5,000)	(64,000)
	136,000	141,000

11. INTERFUND TRANSFERS

The Foundation transfers investment dividends, interest, gains, and losses on long-term investments to the respective fund which holds the long-term investments.

The Foundation also transfers previously deferred endowment contributions [note 2] from the unrestricted fund to the endowment fund.

12. OTHER PROGRAMS, GRANTS AND SPECIAL PROJECTS

	2014	2013
	\$	\$
Granting programs	8,595	10,378
Special projects	28,670	25,814
Other	19,729	16,460
	56,994	52,652

13. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments. The following analysis presents the Foundation's exposures to significant risk as at December 31, 2014.

Credit and Market Risk

Credit risk is the risk that the Foundation will incur a loss due to the failure by its debtors to meet their contractual obligations. The Foundation is exposed to credit risk with respect to its cash, term deposits, restricted cash, long-term investments and accounts receivable. The Foundation limits its exposure to credit risk by placing its cash in bank accounts with a credit union.

The Foundation is exposed to market risk on its long-term investments.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

13. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity Risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due. It stems from the possibility of a delay in realizing the fair value of financial instruments.

The Foundation manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

Interest Rate Risk

The Foundation has variable interest rate term deposit investments which are subject to periodic review. Changes in the bank's prime lending rate or other rates can cause fluctuations in interest payments and cash flows.

14. ECONOMIC DEPENDENCE AND FUTURE OPERATIONS

The Foundation received 23% [2013 - 22%] of its revenue from the City of Vancouver. The Foundation remains dependent upon this funding.

15. VANCOUVER FOUNDATION INVESTMENTS

Funds held at the Vancouver Foundation, from which the Foundation is the sole recipient of the income, have a market value at December 31, 2014 of approximately \$394,000 [2013 - \$382,000]. As the Foundation has the right to receive only the interest income on these funds and has no access to the contributed capital, the Foundation's financial statements do not reflect the amount as an asset.

16. COMMITMENTS

The Foundation is committed to a lease of its premises which expires on February 28, 2015 and a lease of a photocopier which expires on April 30, 2015. The next year commitment is as follows:

	\$
2015	2,988
	2,988

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

17. COMPARATIVE FIGURES

Certain prior year's comparative figures have been reclassified where necessary to conform to the current year's presentation.

The comparative figures for the year-ended December 31, 2013 were audited by another firm of chartered accountants who expressed a qualified opinion (donations) thereon in their report dated February 24, 2014.