

Lions Gate Hospital Foundation

Financial Statements
March 31, 2012



May 11, 2012

Independent Auditor's Report

To the Members of Lions Gate Hospital Foundation

We have audited the accompanying financial statements of Lions Gate Hospital Foundation, which comprise the statement of financial position as at March 31, 2012 and the statements of revenues, expenses and distributions, and fund balances, and cash flows for the year then ended, and the related notes which comprise 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 generally accepted accounting principles, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lions Gate Hospital Foundation as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers LLP

Chartered Accountants

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Lions Gate Hospital Foundation

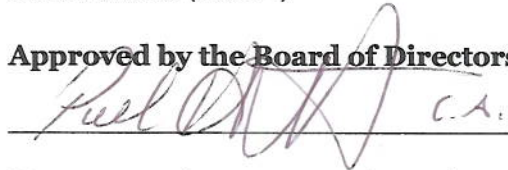
Statement of Financial Position

As at March 31, 2012

	2012 \$	2011 \$
Assets		
Current assets		
Cash and cash equivalents	20,041,119	11,716,742
Short-term investments	-	2,017,288
Interest and other receivables	30,816	188,423
	20,071,935	13,922,453
Endowment Fund investments (note 4)	16,759,725	16,756,818
Investment in property (note 5)	555,974	555,974
	37,387,634	31,235,245
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	634,161	1,885,597
Forgivable loan (note 6)	1,500,000	-
	2,134,161	1,885,597
Retiring allowance	35,178	28,210
	2,169,339	1,913,807
Fund balances		
Unrestricted		
General Fund	650,772	800,517
Restricted		
Specific Purpose Funds (note 8)	17,251,824	11,208,129
Endowment Fund (note 4)	16,759,725	16,756,818
Property Fund	555,974	555,974
	34,567,523	28,520,921
	35,218,295	29,321,438
	37,387,634	31,235,245

Commitments (note 14)

Approved by the Board of Directors

 C.A.

Director



Director

The accompanying notes are an integral part of these financial statements.

Lions Gate Hospital Foundation

Statement of Revenues, Expenses and Distributions, and Fund Balances

For the year ended March 31, 2012

	General		Specific Purpose		Endowment		Property		Total	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
Balance - Beginning of year	800,517	739,428	11,208,129	13,201,448	16,756,818	14,895,947	555,974	555,974	29,321,438	29,392,797
Revenues										
Fundraising										
Donations	112,487	123,666	7,783,938	3,864,084	42,000	45,000	-	-	7,938,425	4,032,750
Special events	21,523	29,793	1,467,575	1,248,418	-	-	-	-	1,489,098	1,278,211
Investment income (loss) (note 9)	214,065	111,297	(12,138)	(1,644)	401,909	1,400,790	-	-	603,836	1,510,443
Estate gifts	232,974	2,944,682	749,499	288,979	-	-	-	-	982,473	3,233,661
Other	47,716	157,964	-	-	-	-	-	-	47,716	157,964
	628,765	3,367,402	9,988,874	5,399,837	443,909	1,445,790	-	-	11,061,548	10,213,029
Expenses and distributions										
Distributions (notes 4 and 8)	8,222	52,854	3,734,530	9,161,890	205,000	-	-	-	3,947,752	9,214,744
Administrative expenses (note 10)	826,599	748,230	-	-	-	-	-	-	826,599	748,230
Fundraising expenses (note 11)	302,504	254,527	87,836	66,887	-	-	-	-	390,340	321,414
	1,137,325	1,055,611	3,822,366	9,228,777	205,000	-	-	-	5,164,691	10,284,388
Excess (deficiency) of revenues over expenses and distributions for the year	(508,560)	2,311,791	6,166,508	(3,828,940)	238,909	1,445,790	-	-	5,896,857	(71,359)
Transfer of funds (note 12)	358,815	(2,250,702)	(122,813)	1,835,621	(236,002)	415,081	-	-	-	-
Balance - End of year	650,772	800,517	17,251,824	11,208,129	16,759,725	16,756,818	555,974	555,974	35,218,295	29,321,438

The accompanying notes are an integral part of these financial statements.

Lions Gate Hospital Foundation

Statement of Cash Flows

For the year ended March 31, 2012

	2012 \$	2011 \$
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses and distributions	5,896,857	(71,359)
Items not affecting cash		
Change in fair value of investments (note 9)	318,819	(800,509)
Realized investment income reinvested (note 9)	(720,728)	(600,281)
	5,494,948	(1,472,149)
Changes in non-cash working capital items		
Interest and other receivables	157,607	(157,065)
Accounts payable and accrued liabilities	(1,251,436)	61,938
Retiring allowance	6,968	5,058
	4,408,087	(1,562,218)
Cash flows from investing activities		
Redemption (purchase) of short-term investments	2,017,288	(2,017,288)
Purchase of Endowment Fund investments	(173,250)	(825,081)
Proceeds from disposition of Endowment Fund investments	572,252	365,000
	2,416,290	(2,477,369)
Cash flows from financing activities		
Proceeds from forgivable loan	1,500,000	-
Increase (decrease) in cash and cash equivalents	8,324,377	(4,039,587)
Cash and cash equivalents - Beginning of year	11,716,742	15,756,329
Cash and cash equivalents - End of year	20,041,119	11,716,742

The accompanying notes are an integral part of these financial statements.

Lions Gate Hospital Foundation

Notes to Financial Statements

March 31, 2012

1 Nature of operations

Lions Gate Hospital Foundation (the Foundation) is a public charitable organization incorporated in 1981 under the British Columbia Society Act.

The Foundation raises funds to support the highest quality health care in the City of North Vancouver, the District of North Vancouver, the District of West Vancouver, the Village of Lions Bay, and the rural district of Bowen Island (collectively “the North Shore”) for:

- Lions Gate Hospital
- Evergreen House
- Cedarview Lodge
- Cedar Garden
- Kiwanis Care Centre
- Margaret Fulton Adult Day Centre
- North Shore Hospice
- West Vancouver Adult Day Centre
- Community and Mental Health Programs
- The Greta and Robert H. N. HO Psychiatry & Education Centre (the HOpe Centre)

The Foundation is a charitable organization registered under the Income Tax Act (the Act) and as such is exempt from income taxes and able to issue donation receipts for income tax purposes. To maintain its status as an organization registered under the Act, the Foundation must meet certain requirements within the Act.

2 Significant accounting policies

Fund accounting

The Foundation maintains its accounts in accordance with the principles of fund accounting and follows the restricted fund method of accounting for revenue. Resources are classified for accounting and reporting purposes into funds, according to the activity or objective specified.

General Fund - The General Fund is unrestricted and accounts for the Foundation’s operating activities. It includes receipts of funds donated for the “area of greatest need” or not otherwise designated for endowment or specific purposes.

Specific Purpose Funds - The Specific Purpose Funds are restricted and include those amounts received and distributed by the Foundation for specified purposes, after deduction of related fundraising expenses. These funds may also include transfers from other funds as approved by the Board of Directors (the Board), for specified purposes.

Lions Gate Hospital Foundation

Notes to Financial Statements

March 31, 2012

2 Significant accounting policies (continued)

Endowment Fund - The Endowment Fund comprises amounts externally restricted by donors and internally restricted by the Board. The Externally Restricted Endowment Fund includes those amounts relating to endowments, bequests, and trust funds made available to the Foundation under trust arrangements specified by donors and independent trustees. The Internally Restricted Endowment Fund includes transfers from other funds, as approved by the Board, with the intention, at the Board's discretion, to be held as an endowment fund.

Property Fund - The Property Fund is restricted and accounts for the Foundation's investment in properties, with the exception of net income from properties, which is recorded in the General Fund.

Revenue recognition

Unrestricted donations are recorded in the General Fund. Donations received for specific purposes or endowment are recorded in these funds as received. Donated properties and gifts in kind are recorded at fair value, which is determined by appraisal.

Investment and property revenues are recorded as earned. Revenue earned on the Endowment Fund is recorded in the Endowment Fund.

Contributed services

Volunteers contribute a significant amount of time each year to assist the Foundation in carrying out its programs and services. During the year, approximately 3,125 volunteer hours were contributed to the Foundation. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Distributions

Distributions are recorded when invoices requesting payment are received from Vancouver Coastal Health (VCH).

Cash and cash equivalents

Cash and cash equivalents include cash and deposits maturing within 90 days from the original date of acquisition.

Lions Gate Hospital Foundation

Notes to Financial Statements

March 31, 2012

2 Significant accounting policies (continued)

Investments

Investments are recorded at fair value based on the price quoted in active markets, and changes in fair value are recognized in the statement of revenues, expenses and distributions, and fund balances.

Investment income includes realized gains and losses, dividends and interest income earned in the year as well as any change in the unrealized gain or loss resulting from a movement in fair value from the previous statement of financial position date.

Investment in property

The Foundation has received a donated property that is held as a long-term investment. Donated properties are initially recorded at the fair market value at the date of the gift.

Properties are carried at their original values, unless the market value of the properties is lower than cost and this decline in value is considered to be other than temporary, in which case the properties are written down to market value.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. It is reasonably possible that circumstances may arise which cause actual results to differ from management estimates; however, management does not believe it is likely that such differences will materially affect the Foundation's financial position.

Retiring allowance

The Foundation has entered into employment agreements, which provide for a one-time payment to eligible employees upon retirement. To become eligible, employees must be over 55 years of age and have worked for the Foundation for at least 10 years. The amount of the retiring allowance is based upon the probability of employees becoming eligible, and increases by a fixed amount for each year of service over the period of employment. The estimated cost of this benefit is being accrued and charged to earnings on a straight-line basis over the period of employment.

Financial instruments

The Foundation applies Sections 3855, *Financial Instruments - Recognition and Measurement*, and 3861, *Financial Instruments - Disclosure and Presentation*, of the Canadian Institute of Chartered Accountants (CICA) Handbook. As permitted by the CICA, the Foundation has elected not to adopt standards 3862 and 3863 and continues to apply Section 3861 on disclosure and presentation of financial instruments. Financial assets have been classified as available for sale, held to maturity, held for trading, or loans and receivables. Financial liabilities have been classified as other liabilities.

Lions Gate Hospital Foundation

Notes to Financial Statements

March 31, 2012

2 Significant accounting policies (continued)

These standards require that all financial assets and liabilities be measured at fair value with the exceptions of investments held to maturity, loans and receivables and other liabilities that are measured at amortized cost using the effective interest rate method.

The Foundation has measured its cash and cash equivalents, interest and other receivables, and accounts payable and accrued liabilities at amortized cost using the effective interest rate method. The estimated fair values of these financial instruments approximate their book values due to their short-term nature. Short-term investments and Endowment Fund investments have been designated as held for trading and are recorded at fair value with the change in unrealized gains and losses recognized in the statement of revenues, expenses and distributions, and fund balances.

3 Future accounting pronouncements

In December 2010, the CICA in conjunction with the Accounting Standards Board (AcSB) issued new accounting standards for not-for-profit organizations. Going forward, private sector not-for-profit organizations will be required to adopt either Part I of the CICA Handbook – International Financial Reporting Standards (IFRS) or Part III of the CICA Handbook – Accounting Standards for Not-for-Profit Organizations.

The Foundation will be adopting Part III of the CICA Handbook - Accounting Standards for Not-for-Profit Organizations for its fiscal year ending March 31, 2013. The financial reporting impact of the transition is currently under review.

4 Endowment Fund investments

The Foundation's endowment investments are managed externally. The investment portfolio consists of the following:

	2012		2011	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and money market funds	159,838	159,838	401,907	401,907
Bond funds	6,916,548	6,602,074	7,014,194	6,998,484
Equity funds				
Canadian	3,438,539	2,832,790	3,652,707	2,489,263
International	6,244,800	6,666,633	5,688,010	6,049,663
	<u>16,759,725</u>	<u>16,261,335</u>	<u>16,756,818</u>	<u>15,939,317</u>

The Endowment Fund comprises the following:

	Original donation/ bequest \$	Balance - March 31, 2011 \$	Donations/ transfers in \$	Investment income \$	Unrealized loss \$	Distributions \$	Transfers \$	Balance - March 31, 2012 \$
Total externally restricted	2,401,399	3,212,330	15,000	137,874	(58,672)	(205,000)	(17,252)	3,084,280
Total internally restricted	10,065,306	13,544,488	158,250	582,854	(260,147)	-	(350,000)	13,675,445
Total	<u>12,466,705</u>	<u>16,756,818</u>	<u>173,250</u>	<u>720,728</u>	<u>(318,819)</u>	<u>(205,000)</u>	<u>(367,252)</u>	<u>16,759,725</u>

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4 Endowment Fund investments (continued)

During the year, the Foundation distributed endowment capital of \$205,000 to Camp Kerry Society, a newly formed independent charitable organization.

5 Investment in property

The Board has agreed not to sell the donated property before March 27, 2017. Under the original agreement, the property shall be restricted to uses not incompatible with multi-family dwellings (note 7(b)).

6 Forgivable loan

The Foundation has received a multi-year funding commitment from a donor through a Deed of Gift and Loan Agreement (the Deed of Gift) comprising a combination of annual gifts and forgivable loans. During the year, \$2.5 million was received, of which \$1 million was recognized as revenue and \$1.5 million as a forgivable interest-free loan. Provided the Foundation is in compliance with the terms of the Deed of Gift, the amounts advanced as a forgivable loan will be forgiven by way of gifts.

If by October 1, 2012, foundation work for the building has not commenced, the Deed of Gift shall be annulled and the full \$2.5 million must be refunded no later than December 1, 2012.

7 Related party transactions

a) During the year, distributions were made to VCH for the following capital projects:

	2012	2011
	\$	\$
Mental health	983,193	-
Equipment	456,634	1,693,800
Smart pumps	280,349	861,438
Hospice	55,168	3,916,046
Angiography Suite	-	846,213
Capital projects less than \$500,000	2,172,408	1,897,247
	<u>3,947,752</u>	<u>9,214,744</u>

b) Included in accounts payable and accrued liabilities is \$174,352 (2011 - \$668,416) due to VCH relating to the reimbursement of Foundation operating expenses paid by VCH on behalf of the Foundation and \$348,094 (2011 - \$1,124,766) due to VCH for purchases of capital equipment for Lions Gate Hospital.

The Board has extended the approval of the use of certain donated property by VCH on a rent-free basis until 2017. The Foundation retains the right to dispose of or otherwise deal with the property after 2017 (note 5).

VCH provides the Foundation with office premises, certain office equipment, and accounting services at no cost to the Foundation.

Lions Gate Hospital Foundation

Notes to Financial Statements

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8 Specific Purpose Funds

	Balance - March 31, 2011 \$	Donations/ transfers \$	Expenses and disbursements \$	Balance - March 31, 2012 \$
Hospice campaign	1,285,679	(1,285,679)	-	-
Equipment campaign	1,253,035	111,069	456,634	907,470
Smart pumps	366,318	(85,969)	280,349	-
Mental Health campaign	3,440,758	7,722,154	983,193	10,179,719
Other *	4,862,339	3,404,486	2,102,190	6,164,635
	11,208,129	9,866,061	3,822,366	17,251,824

* Includes equipment purchases for hospital departments and long-term care facilities, and staff education.

9 Investment income

	2012			2011
	General \$	Specific Purpose \$	Endowment \$	Total \$
Dividends and interest	214,065	-	600,595	814,660
Realized (losses) gains	-	(12,138)	120,133	107,995
Change in fair value	-	-	(318,819)	(318,819)
	214,065	(12,138)	401,909	603,836
				1,510,443

10 Administrative expenses

	2012 \$	2011 \$
Salaries and benefits	709,946	653,117
Banking and credit card fees	42,113	24,339
General administration	35,850	32,578
Legal and audit	21,981	23,161
Insurance	10,659	8,708
Professional development	6,050	6,327
	826,599	748,230

Lions Gate Hospital Foundation

Notes to Financial Statements

March 31, 2012

11 Fundraising expenses

	2012 \$	2011 \$
Direct mail	156,057	109,801
Special events	98,614	80,262
Print and electronic communications	72,303	89,441
Planned giving	34,397	17,137
Donor development and recognition	28,969	24,773
	<u>390,340</u>	<u>321,414</u>

12 Transfer of funds

	General \$	Specific Purpose \$	Endowment \$	Total \$
Transfer to Endowment (a)	(131,250)	-	131,250	-
Transfer from Internally Restricted Endowment (b)	350,000	-	(350,000)	-
Transfer from Externally Restricted Endowment (c)	-	17,252	(17,252)	-
Transfer to Specific Purpose (d)	(107,435)	107,435	-	-
Transfer from Specific Purpose (e)	247,500	(247,500)	-	-
	<u>358,815</u>	<u>(122,813)</u>	<u>(236,002)</u>	<u>-</u>

All transfers of funds are approved by the Board.

- a) Transfer to the Endowment Fund reflects a transfer from estate gifts to Internally Restricted Endowments.
- b) Transfer from the Endowment Fund to the General Fund is an allocation from unrestricted endowment income to contribute in part to administrative and fundraising expenses.
- c) Transfer from the Endowment Fund to the Specific Purpose Funds is a transfer from externally restricted endowment income to contribute to specific educational expenses in accordance with the endowment agreement.
- d) Transfer to the Specific Purpose Funds reflects an allocation of estate gifts or general donations received with no restriction to a specific purpose fund campaign.
- e) Transfer from Specific Purpose Funds to the General Fund reflects allocations to cover the fundraising expenses of the mental health campaign.

Lions Gate Hospital Foundation

Notes to Financial Statements

March 31, 2012

13 Life insurance

The Foundation is the irrevocable beneficiary of life insurance policies purchased by donors. Revenues relating to those policies are recorded on a cash basis. The total policies outstanding of which the Foundation is aware as at March 31, 2012 amounted to \$800,000 (2011 - \$1,300,000).

14 Commitments

As at March 31, 2012, the Board of Directors has pledged \$27,695,262 (2011 - \$26,850,274) to VCH for future purchases of capital equipment for Lions Gate Hospital and other health care entities on the North Shore, and towards the construction of the HOpe Centre.

15 Capital disclosures

The Foundation defines its capital as the amounts in its fund balances, including unrestricted, internally restricted and externally restricted funds. The Foundation's objective when managing its fund balances is to safeguard its ability to continue as a going concern so that it can continue to fulfil its mission as set out in note 1. The Foundation has external restrictions imposed by donors and Board imposed internal restrictions on its fund balances, as described in note 2 and further disclosed in notes 4 and 8.

The Foundation has internal control processes to ensure that these restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

16 Financial instruments

Price risk

There are three types of price risk: currency risk, interest rate risk and market risk.

a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Foundation is exposed to currency risk through its Endowment Fund investments in international equities as disclosed in note 4. Management frequently reviews exchange rates to mitigate risk to the Foundation.

b) Interest rate risk

Interest rate risk is the risk that the Foundation's investments will change in fair value due to future fluctuations in market interest rates. The risk arises primarily on interest bearing financial instruments held in pooled money market and bond funds as disclosed in note 4.

Lions Gate Hospital Foundation

Notes to Financial Statements

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16 Financial instruments (continued)

c) Market risk

Market risk is the risk that the fair value of an investment will fluctuate due to changes in market conditions. Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Foundation is exposed to fair value risk on its investments in pooled funds holding short-term notes, bonds and debentures, and marketable equity securities. These market risks are managed by establishing and monitoring asset allocation strategies and minimum credit criteria, and by diversifying investments within the various asset pools held by the Foundation.

Credit risk

Credit risk is the risk of loss resulting from the failure of an individual or group to honour their financial obligations. The only financial instruments that potentially subject the Foundation to concentrations of credit risk are its receivables and investments in bonds and debentures. The Foundation's receivables are not significant. Its investments are managed to maintain minimum credit criteria and are diversified within various asset pools held by the Foundation. Thus, the Foundation is not considered to be significantly exposed to credit risk.

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they fall due. The Foundation's approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flows from the General and Endowment Funds to fund the operations and settle liabilities when due.

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The Foundation is not exposed to significant cash flow risk.