

Lions Gate Hospital Foundation

Financial Statements

March 31, 2010

May 5, 2010

Auditors' Report

To the Members of Lions Gate Hospital Foundation

We have audited the statement of financial position of **Lions Gate Hospital Foundation** as at March 31, 2010 and the statements of revenues, expenses and distributions, and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2010 and the results of its operations and the changes in its fund balances 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


Lions Gate Hospital Foundation


Statement of Financial Position

As at March 31, 2010

	2010 \$	2009 \$
Assets		
Current assets		
Cash and cash equivalents	15,756,329	13,791,846
Interest and other receivables	31,358	220,929
	15,787,687	14,012,775
Endowment Fund investments (note 4)	14,895,947	11,149,897
Investment in properties (note 5)	555,974	555,974
	31,239,608	25,718,646
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,823,659	1,208,384
Retiring allowance	23,152	26,840
	1,846,811	1,235,224
Fund balances		
Unrestricted		
General Fund	739,428	728,300
Restricted		
Specific Purpose Funds (note 7)	13,201,448	12,049,251
Endowment Fund (note 4)	14,895,947	11,149,897
Property Fund	555,974	555,974
	28,653,369	23,755,122
	29,392,797	24,483,422
	31,239,608	25,718,646
Commitments (note 13)		

Approved by the Board of Directors

 Director

 C.A. Director

Lions Gate Hospital Foundation

Statement of Revenues, Expenses and Distributions, and Fund Balances For the year ended March 31, 2010

	General		Specific Purpose		Endowment		Property		Total
	2010	2009	2010	2009	2010	2009	2010	2009	2009
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance - Beginning of year	728,300	654,548	12,049,251	10,907,617	11,149,897	13,067,755	555,974	24,483,422	25,185,894
Revenues									
Fundraising									
Donations	187,927	116,463	4,090,588	4,610,094	50,000	50,000	-	4,328,515	4,776,557
Special events	38,796	29,061	909,737	1,077,888	-	-	-	948,533	1,106,949
Investment income (note 8)	40,587	322,463	(3,331)	-	2,611,292	(2,356,858)	-	2,648,548	(2,034,395)
Estate gifts	901,095	1,679,397	2,127,818	297,079	1,000,000	25,000	-	4,028,913	2,001,476
Other	92,914	105,257	-	16,941	-	-	-	92,914	122,198
	1,261,319	2,252,641	7,124,812	6,002,002	3,661,292	(2,281,858)	-	12,047,423	5,972,785
Expenses and distributions									
Distributions (note 6(a))	228,108	196,026	5,917,172	5,402,602	-	-	-	6,145,280	5,598,628
Administrative expenses (note 9)	716,217	831,925	-	1,093	-	-	-	716,217	833,018
Fundraising (note 10)	224,497	200,995	52,054	42,616	-	-	-	276,551	243,611
	1,168,822	1,228,946	5,969,226	5,446,311	-	-	-	7,138,048	6,675,257
Excess (deficiency) of revenues over expenses and distributions for the year	92,497	1,023,695	1,155,586	555,691	3,661,292	(2,281,858)	-	4,909,375	(702,472)
Transfer of funds (note 11)	(81,369)	(949,943)	(3,389)	585,943	84,758	364,000	-	-	-
Balance - End of year	739,428	728,300	13,201,448	12,049,251	14,895,947	11,149,897	555,974	29,392,797	24,483,422

Lions Gate Hospital Foundation

Statement of Cash Flows

For the year ended March 31, 2010

	2010 \$	2009 \$
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	4,909,375	(702,472)
Items not affecting cash		
Change in fair value of investments	(2,123,853)	2,738,059
Realized investment income reinvested	(487,440)	(381,201)
	2,298,082	1,654,386
Changes in non-cash working capital items		
Interest and other receivables	189,571	(104,199)
Prepaid expenses	-	10,446
Accounts payable and accrued liabilities	615,275	25,426
Retiring allowance	(3,688)	5,623
	3,099,240	1,591,682
Cash flows from investing activities		
Purchase of investments	(1,484,757)	(1,080,000)
Proceeds from disposition of investments	350,000	641,000
	(1,134,757)	(439,000)
Increase in cash and cash equivalents	1,964,483	1,152,682
Cash and cash equivalents - Beginning of year	13,791,846	12,639,164
Cash and cash equivalents - End of year	15,756,329	13,791,846

Lions Gate Hospital Foundation

Notes to Financial Statements

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1 Incorporation

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 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 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, for specified purposes.

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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 of Directors, 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.

Cash and cash equivalents

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

Endowment Fund 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.

Prepaid expenses

Direct costs incurred for fundraising activities that will be held after year-end are included under prepaid expenses and expensed in the same period as the events are held.

Lions Gate Hospital Foundation

Notes to Financial Statements

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Investment in properties

The Foundation has received donated properties that are held as long-term investments. 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 retirement 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 the new standards 3862 and 3863 and continues to apply Section 3861 on disclosure and presentation of financial instruments. All financial assets have been classified as available for sale, held to maturity, held for trading, or loans and receivables. Financial liabilities were classified as held for trading or other liabilities.

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. 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.

Lions Gate Hospital Foundation

Notes to Financial Statements

March 31, 2010

3 Accounting changes

Implementation of new standards

Section 1000, Financial Statement Concepts

Effective January 1, 2009, the Foundation adopted retrospectively the changes to the recommendations in CICA Handbook Section 1000, *Financial Statement Concepts*. This standard clarifies that items that do not meet the definition of an asset or a liability may not be recognized on the statement of financial position. The adoption of this standard has no impact on the financial statements of the Foundation

Section 4400, Financial Statement Presentation by Not-for-Profit Organizations

There were various amendments to Section 4400 impacting not-for-profit organizations, effective April 1, 2009 for the Foundation. The adoption of these amendments had no impact on the financial statements of the Foundation.

4 Endowment Fund investments

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

	2010		2009	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Cash and money market funds	45,359	45,359	130,941	130,941
Bond funds	6,455,157	6,493,746	5,296,764	5,586,930
Equity funds				
Canadian	3,482,388	2,734,442	2,223,959	2,391,685
Foreign	4,144,015	4,963,139	3,045,045	4,619,556
Global	769,028	638,674	453,188	524,172
	14,895,947	14,875,360	11,149,897	13,253,284

The Endowment Fund comprises the following:

	Original donation/ bequest	Balance March 31, 2009	Donations/ transfers in	Investment income/ (loss)	Unrealized gain (loss)	Distributions/ transfers	Balance March 31, 2010
	\$	\$	\$	\$	\$	\$	\$
Total externally restricted	2,496,399	1,307,928	1,075,000	64,499	410,839	-	2,858,266
Total Internally restricted	9,176,975	9,841,969	409,757	422,941	1,713,014	(350,000)	12,037,681
Total	11,673,374	11,149,897	1,484,757	487,440	2,123,853	(350,000)	14,895,947

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5 Investment in properties

The Foundation has agreed not to sell the donated properties before March 27, 2017, and that the properties shall be restricted to uses not incompatible with multi-family dwellings (note 6(b)).

6 Related party transactions

- a) During the year, distributions were made to Vancouver Coastal Health (VCH) for the following capital projects:

	2010 \$	2009 \$
Emergency department	330,377	2,122,405
Neurology-Urology	-	890,393
Hospice	2,129,699	951,740
Angio Suite	1,357,734	873,216
Capital projects less than \$500,000	2,327,470	760,874
	<u>6,145,280</u>	<u>5,598,628</u>

- b) Included in accounts payable and accrued liabilities is \$309,791 (2009 - \$135,248) due to VCH relating to the reimbursement of Foundation operating expenses paid by VCH on behalf of the Foundation and \$1,445,848 (2009 - \$996,021) due to VCH for purchases of capital equipment for Lions Gate Hospital.

The Board of Directors 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.

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7 Specific Purpose Funds

	Balance - March 31, 2009 \$	Donations/ transfers \$	Expenses and disbursements \$	Balance - March 31, 2010 \$
ER campaign	644,590	(314,213)	330,377	-
Neurology/urology	241,075	(241,075)	-	-
Hospice campaign	6,118,759	681,588	2,129,699	4,670,648
Angio Suite	949,697	1,525,178	1,357,734	1,117,141
Equipment campaign	-	3,183,892	359,769	2,824,123
Other *	4,095,130	2,286,053	1,791,647	4,589,536
	12,049,251	7,121,423	5,969,226	13,201,448

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

8 Investment income

	2010			2009
	General \$	Specific Purpose \$	Endowment \$	Total \$
Dividends and interest	40,587	-	454,448	495,035
Realized (losses) gains	-	(3,331)	32,991	29,660
Change in fair value	-	-	2,123,853	2,123,853
	40,587	(3,331)	2,611,292	2,648,548
				(2,034,395)

9 Administrative expenses

	2010 \$	2009 \$
Salaries and benefits	630,929	731,234
General administration	24,944	45,209
Professional fees	42,028	37,451
Insurance	12,324	11,626
Professional development	5,992	7,498
	716,217	833,018

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10 Fundraising expenses

	2010 \$	2009 \$
Direct mail	105,258	113,449
Special events	63,767	54,169
Donor development and recognition	6,325	18,491
Print and electronic communications	98,330	55,589
Planned giving	2,871	1,913
	<u>276,551</u>	<u>243,611</u>

11 Transfer of funds

	General \$	Specific Purpose \$	Endowment \$	Total \$
Transfer to Endowment (a)	(434,758)	-	434,758	-
Transfer from Internally Restricted Endowment (b)	350,000	-	(350,000)	-
Transfer to Specific Purpose (c)	(437,686)	437,686	-	-
Transfer from Specific Purpose (d)	441,075	(441,075)	-	-
	<u>(81,369)</u>	<u>(3,389)</u>	<u>84,758</u>	<u>-</u>

All transfers of funds are subject to Board approval:

- Transfer to the Endowment Fund reflects a transfer from estate gifts to Internally Restricted Endowments.
- Transfer from the Endowment Fund to the General Fund is an allocation from unrestricted endowment income to contribute in part to the administrative and fundraising expenses.
- 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.
- Transfer from Specific Purpose Funds to the General Fund reflects allocations to cover the fundraising expenses of specific purpose fund campaigns, and reallocations of surplus funds in certain Special Purpose Funds that are complete.

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12 Life insurance

The Foundation is the 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, 2010, amounted to \$1,300,000 (2009 - \$1,300,000).

13 Commitments

As at March 31, 2010, the Board of Directors has pledged \$8,170,195 (2009 - \$10,019,753) to VCH for future purchases of capital equipment for Lions Gate Hospital and other health care entities on the North Shore.

14 Capital disclosures

The Foundation defines its capital as the amounts included 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 does have 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 7.

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.

15 Financial instruments

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 subjects the Foundation to concentrations of credit risk is 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.

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. Exposure to currency risk is limited to its investments denominated in foreign currencies equities as disclosed in note 4.

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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.

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 flow from general and endowment funds to fund the operations and settle liabilities when due.