

# **Lions Gate Hospital Foundation**

Financial Statements

**March 31, 2011**

May 12, 2011

## **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, 2011 and the statements of revenues, expenses and distributions, and fund balances, and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

#### **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 in our audits 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, 2011 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


# Lions Gate Hospital Foundation


## Statement of Financial Position

As at March 31, 2011

	2011 \$	2010 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	11,716,742	15,756,329
Short-term investments	2,017,288	-
Interest and other receivables	188,423	31,358
	<u>13,922,453</u>	<u>15,787,687</u>
<b>Endowment Fund investments</b> (note 3)	16,756,818	14,895,947
<b>Investment in property</b> (note 4)	<u>555,974</u>	<u>555,974</u>
	<u>31,235,245</u>	<u>31,239,608</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,885,597	1,823,659
<b>Retiring allowance</b>	<u>28,210</u>	<u>23,152</u>
	<u>1,913,807</u>	<u>1,846,811</u>
<b>Fund balances</b>		
<b>Unrestricted</b>		
General Fund	<u>800,517</u>	<u>739,428</u>
<b>Restricted</b>		
Specific Purpose Funds (note 6)	11,208,129	13,201,448
Endowment Fund (note 3)	16,756,818	14,895,947
Property Fund	<u>555,974</u>	<u>555,974</u>
	<u>28,520,921</u>	<u>28,653,369</u>
	<u>29,321,438</u>	<u>29,392,797</u>
	<u>31,235,245</u>	<u>31,239,608</u>
<b>Commitments</b> (note 12)		

Approved by the Board of Directors

 Director

 Director

# Lions Gate Hospital Foundation

## Statement of Revenues, Expenses and Distributions, and Fund Balances

For the year ended March 31, 2011

	General		Specific Purpose		Endowment		Property		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance - Beginning of year</b>	739,428	728,300	13,201,448	12,049,251	14,895,947	11,149,897	555,974	555,974	29,392,797	24,483,422
<b>Revenues</b>										
Fundraising										
Donations	123,666	187,927	3,864,084	4,090,588	45,000	50,000	-	-	4,032,750	4,328,515
Special events	29,793	38,796	1,248,418	909,737	-	-	-	-	1,278,211	948,533
Investment income (loss) (note 7)	111,297	40,587	(1,644)	(3,331)	1,400,790	2,611,292	-	-	1,510,443	2,648,548
Estate gifts	2,944,682	901,095	288,979	2,127,818	-	1,000,000	-	-	3,233,661	4,028,913
Other	157,964	92,914	-	-	-	-	-	-	157,964	92,914
	3,367,402	1,261,319	5,399,837	7,124,812	1,445,790	3,661,292	-	-	10,213,029	12,047,423
<b>Expenses and distributions</b>										
Distributions (note 5(a))	52,854	228,108	9,161,890	5,917,172	-	-	-	-	9,214,744	6,145,280
Administrative expenses (note 8)	748,230	716,217	-	-	-	-	-	-	748,230	716,217
Fundraising (note 9)	254,527	224,497	66,887	52,054	-	-	-	-	321,414	276,551
	1,055,611	1,168,822	9,228,777	5,969,226	-	-	-	-	10,284,388	7,138,048
<b>Excess (deficiency) of revenues over expenses and distributions for the year</b>	2,311,791	92,497	(3,828,940)	1,155,586	1,445,790	3,661,292	-	-	(71,359)	4,909,375
<b>Transfer of funds (note 10)</b>	(2,250,702)	(81,369)	1,835,621	(3,389)	415,081	84,758	-	-	-	-
<b>Balance - End of year</b>	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



# Lions Gate Hospital Foundation

## Statement of Cash Flows

For the year ended March 31, 2011

	2011 \$	2010 \$
<b>Cash flows from operating activities</b>		
(Deficiency) excess of revenues over expenses	(71,359)	4,909,375
Items not affecting cash		
Change in fair value of investments	(800,509)	(2,123,853)
Realized investment income reinvested	(600,281)	(487,440)
	(1,472,149)	2,298,082
Changes in non-cash working capital items		
Interest and other receivables	(157,065)	189,571
Accounts payable and accrued liabilities	61,938	615,275
Retiring allowance	5,058	(3,688)
	(1,562,218)	3,099,240
<b>Cash flows from investing activities</b>		
Purchase of short-term investments	(2,017,288)	-
Purchase of endowment fund investments	(825,081)	(1,484,757)
Proceeds from disposition of investments	365,000	350,000
	(2,477,369)	(1,134,757)
<b>(Decrease) increase in cash and cash equivalents</b>	(4,039,587)	1,964,483
<b>Cash and cash equivalents - Beginning of year</b>	15,756,329	13,791,846
<b>Cash and cash equivalents - End of year</b>	11,716,742	15,756,329

# Lions Gate Hospital Foundation

## Notes to Financial Statements

March 31, 2011

---

### 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.

# **Lions Gate Hospital Foundation**

## **Notes to Financial Statements**

**March 31, 2011**

---

**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.

### **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.

### **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.



# Lions Gate Hospital Foundation

## Notes to Financial Statements

March 31, 2011

---

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. 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, 2011

### 3 Endowment Fund investments

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

	2011		2010	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Cash and money market funds	401,907	401,907	45,359	45,359
Bond funds	7,014,194	6,998,484	6,455,157	6,493,746
Equity funds				
Canadian	3,652,707	2,489,263	3,482,388	2,734,442
International	5,688,010	6,049,663	4,913,043	5,601,813
	16,756,818	15,939,317	14,895,947	14,875,360

The Endowment Fund comprises the following:

	Original donation/ bequest	Balance March 31, 2010	Donations/ transfers in	Investment income/	Unrealized gain	Distributions/ transfers	Balance March 31, 2011
	\$	\$	\$	\$	\$	\$	\$
Total externally restricted	2,591,399	2,858,266	95,000	117,262	156,802	(15,000)	3,212,330
Total Internally restricted	9,907,056	12,037,681	730,081	483,019	643,707	(350,000)	13,544,488
Total	12,498,455	14,895,947	825,081	600,281	800,509	(365,000)	16,756,818

### 4 Investment in property

The Foundation has agreed not to sell the donated property before March 27, 2017, and that the property shall be restricted to uses not incompatible with multi-family dwellings (note 5(b)).

### 5 Related party transactions

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

	2011	2010
	\$	\$
Hospice	3,916,046	2,129,699
Equipment	1,693,800	359,769
Smart pumps	861,438	-
Angio Suite	846,213	1,357,734
Capital projects less than \$500,000	1,897,247	2,298,078
	9,214,744	6,145,280

# Lions Gate Hospital Foundation

## Notes to Financial Statements

March 31, 2011

- b) Included in accounts payable and accrued liabilities is \$668,416 (2010 - \$309,791) due to VCH relating to the reimbursement of Foundation operating expenses paid by VCH on behalf of the Foundation and \$1,124,766 (2010 - \$1,445,848) 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 4).

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

## 6 Specific Purpose Funds

	Balance - March 31, 2010 \$	Donations/ transfers \$	Expenses and disbursements \$	Balance - March 31, 2011 \$
Hospice campaign	4,670,648	531,078	3,916,047	1,285,679
Angio Suite	1,117,141	(270,928)	846,213	-
Equipment campaign	2,824,123	122,712	1,693,800	1,253,035
Smart pumps	-	1,227,756	861,438	366,318
Mental Health campaign	-	3,440,758	-	3,440,758
Other *	4,589,536	2,184,082	1,911,279	4,862,339
	13,201,448	7,235,458	9,228,777	11,208,129

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

## 7 Investment income

	2011			2010
	General \$	Specific Purpose \$	Endowment \$	Total \$
Dividends and interest	111,297	-	431,526	542,823
Realized (losses) gains	-	(1,644)	168,755	167,111
Change in fair value	-	-	800,509	800,509
	111,297	(1,644)	1,400,790	1,510,443
				2,648,548



# Lions Gate Hospital Foundation

## Notes to Financial Statements

March 31, 2011

---

### 8 Administrative expenses

	2011 \$	2010 \$
Salaries and benefits	653,117	630,929
General administration	32,578	24,944
Banking and credit card fees	24,339	23,244
Legal and audit	23,161	18,784
Insurance	8,708	12,324
Professional development	6,327	5,992
	<hr/>	<hr/>
	748,230	716,217

### 9 Fundraising expenses

	2011 \$	2010 \$
Direct mail	109,801	105,258
Special events	80,262	63,767
Donor development and recognition	24,773	6,325
Print and electronic communications	89,441	98,330
Planned giving	17,137	2,871
	<hr/>	<hr/>
	321,414	276,551



# Lions Gate Hospital Foundation

## Notes to Financial Statements

March 31, 2011

### 10 Transfer of funds

	General \$	Specific Purpose \$	Endowment \$	Total \$
Transfer to Endowment (a)	(730,081)	-	730,081	-
Transfer to Endowment (b)	-	(50,000)	50,000	-
Transfer from Internally Restricted Endowment (c)	350,000	-	(350,000)	-
Transfer from Externally Restricted Endowment (d)	-	15,000	(15,000)	-
Transfer to Specific Purpose (e)	(2,196,621)	2,196,621	-	-
Transfer from Specific Purpose (f)	326,000	(326,000)	-	-
	(2,250,702)	1,835,621	415,081	-

All transfers of funds are subject to Board approval:

- a) Transfer to the Endowment Fund reflects a transfer from estate gifts to Internally Restricted Endowments.
- b) Transfer to the Endowment Fund from the Specific Purpose Fund reflects a decision by a donor to endow funds previously contributed.
- c) 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.
- d) Transfer from the Endowment Fund to the Specific Purpose Fund is a transfer from externally restricted endowment income to contribute to specific educational expenses in accordance with the endowment agreement.
- e) 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.
- f) Transfer from Specific Purpose Funds to the General Fund reflects allocations to cover the fundraising expenses of the mental health campaign.

### 11 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, 2011, amounted to \$1,300,000 (2010 - \$1,300,000).

# Lions Gate Hospital Foundation

## Notes to Financial Statements

March 31, 2011

---

### 12 Commitments

As at March 31, 2011, the Board of Directors has pledged \$26,850,274 (2010 - \$8,170,195) to VCH for future purchases of capital equipment for Lions Gate Hospital and other health care entities on the North Shore, and a new Centre for Mental Health and Addictions.

### 13 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 3 and 6.

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.

### 14 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 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.

#### 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 currency equities as disclosed in note 3.

# Lions Gate Hospital Foundation

## Notes to Financial Statements

March 31, 2011

---

### **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 3.

### **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 general and endowment funds to fund the operations and settle liabilities when due.