

Lions Gate Hospital Foundation

Financial Statements

March 31, 2009

May 6, 2009

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, 2009 and the statement of revenues, expenses and distributions, and fund balances 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, 2009 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, 2009

	2009 \$	2008 \$
Assets		
Current assets		
Cash and cash equivalents	13,791,846	12,639,164
Interest and other receivables	220,929	116,730
Prepaid expenses	-	10,446
	<hr/>	<hr/>
	14,012,775	12,766,340
Endowment Fund investments (note 4)	11,149,897	13,067,755
Investment in properties (note 5)	<hr/>	<hr/>
	555,974	555,974
	<hr/>	<hr/>
	25,718,646	26,390,069
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,208,384	1,182,958
Retiring allowance	<hr/>	<hr/>
	26,840	21,217
	<hr/>	<hr/>
	1,235,224	1,204,175
Fund balances		
Unrestricted		
General Fund	<hr/>	<hr/>
	728,300	654,548
Restricted		
Specific Purpose Funds (note 7)	12,049,251	10,907,617
Endowment Fund (note 4)	11,149,897	13,067,755
Property Fund	555,974	555,974
	<hr/>	<hr/>
	23,755,122	24,531,346
	<hr/>	<hr/>
	24,483,422	25,185,894
	<hr/>	<hr/>
	25,718,646	26,390,069
Commitments (note 13)		

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, 2009

	General		Specific Purpose		Endowment		Property		Total	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
Balance - Beginning of year	654,548	704,185	10,907,617	14,564,255	13,067,755	13,059,522	555,974	555,974	25,185,894	28,883,936
Revenues										
Fundraising										
Donations	116,463	149,886	4,610,094	5,314,038	50,000	35,000	-	-	4,776,557	5,498,924
Special events	29,061	27,099	1,077,888	887,554	-	-	-	-	1,106,949	914,653
Investment income (note 8)	322,463	365,121	-	371,694	(2,356,858)	(400,441)	-	-	(2,034,395)	336,374
Estate gifts	1,679,397	1,589,395	297,079	1,169,632	25,000	-	-	-	2,001,476	2,759,027
Other	105,257	69,134	16,941	-	-	-	-	-	122,198	69,134
	2,252,641	2,200,635	6,002,002	7,742,918	(2,281,858)	(365,441)	-	-	5,972,785	9,578,112
Expenses and distributions										
Distributions (note 6(a))	196,026	36,241	5,402,602	12,339,639	-	-	-	-	5,598,628	12,375,880
Administrative expenses (note 9)	831,925	631,030	1,093	4,835	-	-	-	-	833,018	635,865
Fundraising (note 10)	200,995	214,162	42,616	50,247	-	-	-	-	243,611	264,409
	1,228,946	881,433	5,446,311	12,394,721	-	-	-	-	6,675,257	13,276,154
Excess (deficiency) of revenues over expenses and distributions for the year	1,023,695	1,319,202	555,691	(4,651,803)	(2,281,858)	(365,441)	-	-	(702,472)	(3,698,042)
Transfer of funds (note 11)	(949,943)	(1,368,839)	585,943	995,165	364,000	373,674	-	-	-	-
Balance - End of year	728,300	654,548	12,049,251	10,907,617	11,149,897	13,067,755	555,974	555,974	24,483,422	25,185,894

Lions Gate Hospital Foundation

Notes to Financial Statements

March 31, 2009

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

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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 balance sheet 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.

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.

Lions Gate Hospital Foundation

Notes to Financial Statements

March 31, 2009

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 ten 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, 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.

Lions Gate Hospital Foundation

Notes to Financial Statements

March 31, 2009

3 Accounting changes

Implementation of new standards

On January 1, 2008, the Foundation adopted Section 1535, Capital Disclosures. Section 1535, Capital Disclosures, establishes disclosure requirements concerning capital such as: qualitative information about the Foundation's objectives, policies and process for managing capital; and quantitative data about what the Foundation regards as capital.

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.

Future accounting changes

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

Recent amendments to Section 4400 will modify the requirements with respect to various elements of financial statement presentation. Areas that may impact the Foundation are the requirement to report revenues and expenses at their gross amount when the Foundation is acting as a principal in the transaction, and the requirement to include an accounting policy note on the allocation of expenses. The new standard applies to financial statements relating to fiscal years beginning on or after January 1, 2009, specifically the year ended March 31, 2010 for the Foundation. This standard will not affect the Foundation's results or financial position, but may impact presentation of the statement of revenues, expenses and distributions.

Lions Gate Hospital Foundation

Notes to Financial Statements

March 31, 2009

4 Endowment Fund investments

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

	2009		2008	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and money market funds	130,941	130,941	226,017	226,017
Bond funds	5,296,764	5,586,930	5,819,684	5,879,756
Equity funds				
Canadian	2,223,959	2,391,685	2,759,781	1,819,163
Foreign	3,045,045	4,619,556	3,795,319	4,138,539
Global	453,188	524,172	466,954	369,608
	<u>11,149,897</u>	<u>13,253,284</u>	<u>13,067,755</u>	<u>12,433,083</u>

The Endowment Fund investments comprise the following:

	2009 \$	2008 \$
Internally restricted		
Balance - Beginning of year	11,585,423	11,894,713
Reallocation to externally restricted	-	(116,726)
	<u>11,585,423</u>	<u>11,777,987</u>
Donations/transfers in	769,000	622,715
Investment income/(loss)	(2,052,854)	(395,712)
Distributions/transfers out	(450,000)	(419,567)
	<u>9,851,569</u>	<u>11,585,423</u>
Externally restricted		
Balance - Beginning of year	1,482,332	1,164,809
Reallocation from internally restricted	-	116,726
	<u>1,482,332</u>	<u>1,281,535</u>
Donations/transfers in	311,000	272,193
Investment income/(loss)	(304,004)	(4,728)
Distributions/transfers out	(191,000)	(66,668)
	<u>1,298,328</u>	<u>1,482,332</u>
Balance - End of year	<u>1,298,328</u>	<u>1,482,332</u>
Total	<u>11,149,897</u>	<u>13,067,755</u>

Lions Gate Hospital Foundation

Notes to Financial Statements

March 31, 2009

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:

	2009	2008
	\$	\$
Emergency department	2,122,405	8,942,991
Neurology-Urology	890,393	1,742,881
Ultrasound	-	153,846
Hospice	951,740	-
Angio Suite	873,216	-
Capital projects less than \$500,000	760,874	1,536,162
	<u>5,598,628</u>	<u>12,375,880</u>

- b) Included in accounts payable and accrued liabilities is \$135,248 (2008 - \$128,471) due to VCH relating to the reimbursement of Foundation operating expenses paid by VCH on behalf of the Foundation and \$996,021 (2008 - \$808,558) due to VCH for purchases of capital equipment for Lions Gate Hospital.

The Board of Directors intends to extend 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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7 Specific Purpose Funds

	Balance - March 31, 2008 \$	Donations/ transfers \$	Expenses and Disbursements \$	Balance - March 31, 2009 \$
ER campaign	2,647,578	119,417	2,122,405	644,590
Neurology/urology	1,114,893	16,575	890,393	241,075
Hospice campaign	4,634,080	2,436,419	951,740	6,118,759
Angio Suite	-	1,822,913	873,216	949,697
Other	2,511,066	2,192,621	608,557	4,095,130
	<u>10,907,617</u>	<u>6,587,945</u>	<u>5,446,311</u>	<u>12,049,251</u>

8 Investment income

	2009			2008
	General \$	Endowment \$	Total \$	Total \$
Dividends and interest	322,463	435,900	758,363	1,238,393
Realized gains (losses)	-	(54,699)	(54,699)	763,974
Change in fair value	-	(2,738,059)	(2,738,059)	(1,665,993)
	<u>322,463</u>	<u>(2,356,858)</u>	<u>(2,034,395)</u>	<u>336,374</u>

9 Administrative expenses

	2009 \$	2008 \$
Salaries and benefits	731,234	546,354
General administration	45,209	38,165
Professional fees	37,451	35,275
Insurance	11,626	10,446
Professional development	7,498	5,625
	<u>833,018</u>	<u>635,865</u>

Lions Gate Hospital Foundation

Notes to Financial Statements

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10 Fundraising expenses

	2009 \$	2008 \$
Direct mail	113,449	124,394
Special events	54,169	59,137
Donor development and recognition	18,491	22,985
Print and electronic communications	55,589	55,138
Planned giving	1,913	2,755
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	243,611	264,409
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11 Transfer of funds

	General \$	Specific Purpose \$	Endowment \$	Total \$
Transfer to Endowment (a)	(1,005,000)	-	1,005,000	-
Transfer from Internally Restricted Endowment (b)	450,000	-	(450,000)	-
Transfer from Externally Restricted Endowment (c)	180,500	-	(180,500)	-
Transfer to Specific Purpose (d)	(750,443)	760,943	(10,500)	-
Transfer from Specific Purpose (e)	175,000	(175,000)	-	-
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	(949,943)	585,943	364,000	-
	<hr/>	<hr/>	<hr/>	<hr/>

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 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.
- c) Transfer from the Externally Restricted Endowment Fund to the General Fund for the purchase of equipment for the hospital.
- d) Transfer to the Specific Purpose Fund 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 specific purpose fund campaigns.

Lions Gate Hospital Foundation

Notes to Financial Statements

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12 Charitable remainder trust and life insurance revenues

The Foundation is the beneficiary of several charitable remainder trusts. The donations will be recorded as revenue when the cash is received.

The Foundation is also 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, 2009, amounted to \$1,300,000 (2008 - \$925,000)

13 Commitments

As at March 31, 2009, the Board of Directors has pledged \$10,019,753 (2008 - \$10,856,404) to VCH for future purchases of capital equipment for Lions Gate Hospital and other health care entities on the North Shore.

14 Statement of cash flows

A separate statement of cash flows has not been presented since cash flows from the Foundation's activities are readily apparent elsewhere in these financial statements.