

Financial Statements of

**ST. PAUL'S HOSPITAL FOUNDATION
OF VANCOUVER**

Year ended March 31, 2011



KPMG LLP
Chartered Accountants
Box 10426, 777 Dunsmuir Street
Vancouver BC V7Y 1K3

Telephone (604) 691-3000
Telefax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of
St. Paul's Hospital Foundation of Vancouver

Report on the Financial Statements

We have audited the accompanying financial statements of St. Paul's Hospital Foundation of Vancouver, which comprise the statement of financial position as at March 31, 2011, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 an 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 our 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, we consider 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 St. Paul's Hospital Foundation of Vancouver as at March 31, 2011 and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Accountants

June 23, 2011

Vancouver, Canada

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash	\$ 4,221,676	\$ 4,824,639
Accounts receivable	40,719	23,345
Investments (note 3)	15,928,858	13,217,731
	<u>20,191,253</u>	<u>18,065,715</u>
Investments (note 3)	11,305,393	11,031,913
Capital assets (note 4)	106,770	115,136
Other asset (note 9)	254,610	-
	<u>\$ 31,858,026</u>	<u>\$ 29,212,764</u>

Liabilities and Net Assets

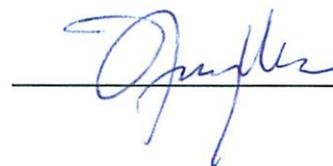
Current liabilities:		
Accounts payable and accrued liabilities	\$ 235,124	\$ 106,312
Due to Providence Health Care	59,847	50,528
	<u>294,971</u>	<u>156,840</u>
Net assets:		
Unrestricted	2,528,310	1,470,708
Internally restricted	2,919,857	2,463,894
Externally restricted	14,702,725	13,974,273
Restricted for endowment	11,305,393	11,031,913
Invested in capital assets	106,770	115,136
	<u>31,563,055</u>	<u>29,055,924</u>
	<u>\$ 31,858,026</u>	<u>\$ 29,212,764</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Statement of Operations

Year ended March 31, 2011, with comparative figures for 2010

	Unrestricted and Internally Restricted Funds	Externally Restricted Funds	Endowment Funds	2011 Total	2010 Total
Revenue:					
Donations	\$ 2,432,544	\$ 6,658,723	\$ 56,674	\$ 9,147,941	\$ 9,480,503
Investment income	499,295	260,072	44,800	804,167	686,654
Miscellaneous	1,361	-	-	1,361	10,425
	<u>2,933,200</u>	<u>6,918,795</u>	<u>101,474</u>	<u>9,953,469</u>	<u>10,177,582</u>
Expenses:					
Salaries and benefits	1,624,144	-	-	1,624,144	1,599,705
General administration	233,093	-	-	233,093	231,912
Campaigns	138,276	-	-	138,276	139,327
Professional fees	36,443	-	-	36,443	99,677
Consultants and contracts	120,189	-	-	120,189	63,566
Advertising	35,508	-	-	35,508	41,129
Amortization	51,874	-	-	51,874	35,910
Printing	26,651	-	-	26,651	17,848
Education and conferences	15,829	-	-	15,829	11,596
	<u>2,282,007</u>	<u>-</u>	<u>-</u>	<u>2,282,007</u>	<u>2,240,670</u>
	<u>651,193</u>	<u>6,918,795</u>	<u>101,474</u>	<u>7,671,462</u>	<u>7,936,912</u>
Excess of revenue over expenses before transfers and grants	651,193	6,918,795	101,474	7,671,462	7,936,912
Transfers to qualified donees (note 7)	-	(500,000)	(200,000)	(700,000)	(200,000)
Grants to Providence Health Care	(164,727)	(5,540,449)	-	(5,705,176)	(4,509,828)
Excess (deficiency) of revenue over expenses	\$ 486,466	\$ 878,346	\$ (98,526)	\$ 1,266,286	\$ 3,227,084

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

	Unrestricted Fund	Internally Restricted Fund	Externally Restricted Funds	Endowment Funds	Invested in capital assets	2011 Total	2010 Total
Fund balances, beginning of year	\$ 1,470,708	\$ 2,463,894	\$ 13,974,273	\$ 11,031,913	\$ 115,136	\$ 29,055,924	\$ 23,271,412
Excess (deficiency) of revenue over expenses	538,340	-	878,346	(98,526)	(51,874)	1,266,286	3,227,084
Invested in capital assets	(43,508)	-	-	-	43,508	-	-
Change in unrealized gains and losses on investments	1,240,845	-	-	-	-	1,240,845	2,557,428
Interfund restrictions (transfers)	(678,075)	455,963	(149,894)	372,006	-	-	-
Fund balances, end of year	\$ 2,528,310	\$ 2,919,857	\$ 14,702,725	\$ 11,305,393	\$ 106,770	\$ 31,563,055	\$ 29,055,924

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,266,286	\$ 3,227,084
Items not involving cash:		
Amortization of capital assets	51,874	35,910
Realized loss on sale of investments	20,054	87,000
	<u>1,338,214</u>	<u>3,349,994</u>
Changes in non-cash working capital balances:		
Accounts receivable	(17,374)	9,478
Accounts payable and accrued liabilities	128,812	(21,363)
Due to Providence Health Care	9,319	(817,475)
	<u>1,458,971</u>	<u>2,520,634</u>
Investments:		
Purchases of investments	(8,082,895)	(3,003,485)
Proceeds from disposal of investments	6,319,079	2,272,524
Purchase of capital assets	(43,508)	(86,716)
Other asset	(254,610)	-
	<u>(2,061,934)</u>	<u>(817,677)</u>
Increase (decrease) in cash	(602,963)	1,702,957
Cash, beginning of year	4,824,639	3,121,682
Cash, end of year	<u>\$ 4,221,676</u>	<u>\$ 4,824,639</u>
Non-cash transaction:		
Unrealized gains on investments	\$ 1,240,845	\$ 2,557,928

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements

Year ended March 31, 2011

1. Operations:

St. Paul's Hospital Foundation of Vancouver (the "Foundation") is a public foundation incorporated on August 1, 1980 under the Society Act (British Columbia). The purpose of the Foundation is to raise funds for Providence Health Care to provide enhancements in clinical care, research, and teaching at St. Paul's Hospital.

The Foundation is a charitable organization registered under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Revenue recognition and fund accounting:

The Foundation follows the restricted fund method of accounting for contributions. Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted investment income and contributions other than endowment contributions are recognized as revenue of the Externally Restricted Funds, if an appropriate restricted fund exists, while endowment contributions are recognized as revenue of the Endowment Funds. Externally restricted contributions for future expenses for which a restricted fund does not exist are recorded as deferred revenue and recognized as revenue in the period the related expense is incurred or the restrictions are met.

The fund classifications are as follows:

(i) Unrestricted Fund and Internally Restricted Funds:

The Unrestricted Fund comprises donations and investment income that are not specifically designated by donors. Administrative costs pertaining to the Foundation are charged to the Unrestricted Fund.

From time to time, the Board of Directors may impose certain restrictions on fund balances. These amounts are presented on the statement of financial position and statement of changes in net assets as Internally Restricted Funds. These internally restricted amounts are not available for other purposes without approval of the Board of Directors. This balance is substantially comprised of the Enhanced Patient Care Fund and the Sustainability Fund.

(ii) Externally Restricted Funds:

The Externally Restricted Funds comprise donations and investment income specifically designated by donors and restricted income received from the Vancouver Foundation.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Significant accounting policies (continued):

(b) Revenue recognition and fund accounting (continued):

(iii) Endowment Funds:

The Endowment Funds comprise donations that are permanently maintained in accordance with donor wishes. Restricted investment income earned on Endowment Funds is recorded in the relevant Externally Restricted Funds for use as designated by the donors, unless the donor had indicated that part of the income is to be maintained in the Endowment Funds. Where no restriction on the investment income has been made, such investment income is recorded in the Unrestricted Fund.

(c) Financial instruments:

The Foundation accounts for its financial instruments in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, CICA Section 3861, *Financial Instruments – Disclosure and Presentation*, and CICA Section 3865, *Hedges*. The Foundation continues to follow the presentation and disclosure requirements of Handbook Section 3861 as is permitted for not-for-profit entities.

Under these standards, all financial assets and liabilities are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are included on the statement of financial position and initially measured at fair market value. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held for trading financial investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses recognized as changes in the Unrestricted Fund net assets until the financial asset is disposed of or becomes impaired. Impairment losses are recognized in the statement of operations. Loans and receivables, held-to-maturity financial investments and other financial liabilities are measured at amortized cost using the effective interest rate method.

The Foundation does not hold any financial derivatives as at March 31, 2011.

The Foundation classifies its financial instruments as follows:

Held for trading:

- Cash

Available-for-sale:

- Investments

Loans and receivables:

- Accounts receivable
- Other asset

Other financial liabilities:

- Accounts payable and accrued liabilities
- Due to Providence Health Care

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

It is management's opinion that the Foundation is not exposed to significant interest or credit risks arising from these financial instruments.

(d) Capital assets:

Capital assets comprised of office equipment, computer hardware and software, office renovations, and Light-of-Hope equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives of two to five years.

(e) Contributed goods and services:

The Foundation periodically receives donations of goods, including artwork, for which gift-in-kind receipts are issued. These contributed goods are not recognized in the financial statements.

Under an agreement entered into in 2001 between the Foundation and Providence Health Care, Providence Health Care agreed to pay rent on commercially leased premises near St. Paul's Hospital for the Foundation's office. Providence Health Care also provides certain administrative services at no charge.

A substantial number of volunteers contribute a significant amount of their time to the Foundation each year. Due to the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

(f) Employee future benefits:

Certain of the Foundation's employees are members of the Municipal Pension Plan, a multi-employer defined contribution plan. The Foundation accounts for contributions to this plan as expenses in the year the contributions are made (not 5).

(g) Use of estimates:

In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the financial statements. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized above. Actual results could differ from these estimates.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Significant accounting policies (continued):

(h) Future changes in accounting framework:

Effective January 1, 2012, the Foundation's current accounting framework will no longer exist. In December 2010 the Canadian Institute of Chartered Accountants ("CICA") in conjunction with the Accounting Standards Board ("AcSB") issued Part III – Accounting Standards for Not-for-Profit Organizations ("Part III") of the CICA Handbook. Part III is effective for fiscal years commencing on or after January 1, 2012 and provides Canadian private sector not-for-profit organizations with a new financial reporting framework. The Foundation has the option to apply International Financial Reporting Standards or the newly approved accounting standards for Not-for-Profit Organizations. Management anticipates the Foundation will adopt Part III.

The Foundation is evaluating the impact of adopting the new accounting standards for not-for-profit organizations; differences on adoption are expected to be minimal.

2. Investments:

The Foundation's investments are held in the following classes of investments:

	2011	2010
Money market funds	\$ 1,822,460	\$ 2,041,284
Short-term bond and mortgage fund	16,082,033	11,019,930
Guaranteed investment certificates	-	3,382,988
Canadian equity	4,777,601	4,042,805
US equity	2,288,384	1,978,508
Overseas equity	2,263,773	1,784,129
	<u>\$ 27,234,251</u>	<u>\$ 24,249,644</u>

The total investment balance is classified as follows on the statement of financial position:

	2011	2010
Current investments	\$ 15,928,858	\$ 13,217,731
Investments held for endowment purposes (non-current)	11,305,393	11,031,913
	<u>\$ 27,234,251</u>	<u>\$ 24,249,644</u>

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2011

3. Investments (continued):

The fair value by investment pools are as follows:

	2011	2010
Guaranteed Investment Certificates	\$ -	\$ 3,382,988
Bonds held at Scotia McLeod	2,846,000	-
Leith Wheeler - internally restricted funds	2,785,190	2,686,848
Leith Wheeler - externally restricted funds	10,628,585	8,255,122
Leith Wheeler - endowment funds	10,974,476	9,924,686
	\$ 27,234,251	\$ 24,249,644

3. Capital assets:

2011	Cost	Accumulated amortization	Net book value
Office equipment	\$ 60,368	\$ 57,813	\$ 2,555
Computer hardware and software	231,540	209,786	21,754
Office renovations	132,300	49,839	82,461
Lights of Hope equipment	36,578	36,578	-
	\$ 460,786	\$ 354,016	\$ 106,770

2010	Cost	Accumulated amortization	Net book value
Office equipment	\$ 60,368	\$ 54,153	\$ 6,215
Computer hardware and software	188,032	188,032	-
Office renovations	132,300	23,379	108,921
Lights of Hope equipment	36,578	36,578	-
	\$ 417,278	\$ 302,142	\$ 115,136

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2011

4. Employee pension benefits:

The Foundation and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the BC Public Sector Pension Plans Act.

Employer contributions to the Municipal Pension Plan of \$96,399 (2010 - \$101,741) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2009 indicated an unfunded liability of \$1,024,000,000. The actuary does not attribute portions of the deficit or surplus to individual employers. The plan covers approximately 163,000 active employees of which 23 (2010 - 23) are employees of the Foundation. The next required valuation will be as of December 31, 2012, with results available in 2013.

5. Vancouver Foundation Fund:

A permanent Endowment Fund has been established with the Vancouver Foundation whereby the W.J. Van Dusen Foundation matched annual contributions of \$100,000 in 1985, 1986 and 1987 to the Endowment Fund by the St. Paul's Hospital Foundation of Vancouver. The total of \$600,000, plus an additional \$12,145 from the Foundation's resources, was transferred to the Vancouver Foundation during those years. The capital of the fund is held permanently by the Vancouver Foundation and accordingly is not recorded on the statement of financial position. Income from the Endowment Fund is to be distributed to St. Paul's Hospital Foundation of Vancouver at least annually and in 2011 amounted to \$28,128 (2010 - \$22,522).

6. Transfers to qualified donees:

In the current year, transfers to qualified donees include transfers to the University of British Columbia and Simon Fraser University in accordance with contribution agreements.

7. Capital disclosures:

The Foundation receives its principal source of capital through donations and income earned on its investments. The Foundation defines capital to be net assets, which include amounts held in the Unrestricted, Restricted, and Endowment funds. In carrying out its purpose, the Foundation regularly distributes its capital through grants to Providence Health Care in support of the programs, operations and activities at the St. Paul's Hospital.

The Foundation is not subject to any other external capital requirements or restrictions.

8. Other asset:

In fiscal 2011, the Foundation recorded \$254,610 of unrestricted revenue from an estate gift that is being held in trust pending the death of another beneficiary.

The value at March 31, 2011 of the other asset in the financial statements is the actuarial discounted value of the gross amount of the expected gift (\$327,384), as confirmed by the estate. No portion of the estate gift is expected to be collected within the next fiscal year.