

Financial Statements of

VANCOUVER FOUNDATION

Year ended December 31, 2009



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AUDITORS' REPORT TO THE DIRECTORS

We have audited the statement of financial position of Vancouver Foundation as at December 31, 2009 and the statements of revenue and expenses and changes in fund balances and of changes in net assets and of 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 December 31, 2009 and the results of its operations and the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

Vancouver, Canada
March 13, 2010

VANCOUVER FOUNDATION

Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	Consolidated Trust Funds	Other Trust Funds	Distribution and Administration Fund	2009	2008
Assets					
Investment portfolio (note 4):					
Common shares and convertible securities	\$ 378,419,491	\$ 4,056,458	\$ 100,000	\$ 382,575,949	\$ 309,682,068
Bonds and debentures	218,730,233	2,646,318	14,366,054	235,742,605	234,289,121
Mortgages and real estate	71,300,274	71,000	-	71,371,274	80,660,884
Accrued investment income receivable	2,743,592	-	78,218	2,821,810	3,547,423
	671,193,590	6,773,776	14,544,272	692,511,638	628,179,496
Cash and cash equivalents (note 5)	11,272,256	109,550	16,988,759	28,370,565	32,771,307
Capital assets (note 6)	-	-	497,907	497,907	648,441
	\$ 682,465,846	\$ 6,883,326	\$ 32,030,938	\$ 721,380,110	\$ 661,599,244

Liabilities

Accounts payable and accrued liabilities	\$ -	\$ -	\$ 955,815	\$ 955,815	\$ 1,310,268
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Net assets

Contributed principal	623,081,034	6,924,552	110,000	630,115,586	611,849,912
Retained returns from investments	59,384,812	(41,226)	-	59,343,586	(1,582,782)
Invested in capital assets	-	-	497,907	497,907	648,441
Funds pending distribution	-	-	30,467,216	30,467,216	49,373,405
Total fund balances	682,465,846	6,883,326	31,075,123	720,424,295	660,288,976
	\$ 682,465,846	\$ 6,883,326	\$ 32,030,938	\$ 721,380,110	\$ 661,599,244

Commitments (note 9)

See accompanying notes to financial statements.

Approved on behalf of the Board:


 Director  Director

VANCOUVER FOUNDATION

Statement of Revenue and Expenses and Changes in Fund Balances

Year ended December 31, 2009, with comparative figures for 2008

	Consolidated Trust Funds	Other Trust Funds	Distribution and Administration Fund	2009	2008
Revenue:					
Contributions:					
General	\$ 28,991,315	\$ 451,276	\$ 13,008,667	\$ 42,451,258	\$ 45,959,255
Government of B.C.	337,263	-	200,000	537,263	10,608,902
Investment income (loss)	83,957,790	1,380,802	410,562	85,749,154	(100,575,678)
Administration fee	(4,846,244)	(35,632)	4,881,876	-	-
Less external investment management and custodian fees	(2,498,249)	(25,097)	(30,845)	(2,554,191)	(2,225,886)
	105,941,875	1,771,349	18,470,260	126,183,484	(46,233,407)
Expenses:					
Administration	-	-	2,185,324	2,185,324	1,865,828
Communications	-	-	615,066	615,066	758,445
Program services	-	-	869,701	869,701	1,425,133
Donor services	-	-	1,118,067	1,118,067	1,248,985
	-	-	4,788,158	4,788,158	5,298,391
Excess (deficiency) of revenue over expenses before grant distributions	105,941,875	1,771,349	13,682,102	121,395,326	(51,531,798)
Grant distributions	-	(45,822)	(52,457,581)	(52,503,403)	(42,026,747)
Excess (deficiency) of revenue over expenses	105,941,875	1,725,527	(38,775,479)	68,891,923	(93,558,545)
Fund balances, beginning of year	611,898,583	5,635,665	42,754,728	660,288,976	783,661,960
Interfund transfers	(26,618,008)	(477,866)	27,095,874	-	-
Distribution of capital from contributed principal and retained returns	(8,756,604)	-	-	(8,756,604)	(29,814,439)
Fund balances, end of year	\$ 682,465,846	\$ 6,883,326	\$ 31,075,123	\$ 720,424,295	\$ 660,288,976

See accompanying notes to financial statements.

VANCOUVER FOUNDATION

Statement of Changes in Net Assets

Year ended December 31, 2009, with comparative figures for 2008

	Contributed Principal	Retained returns from investments	Invested in capital assets	Funds pending distribution	2009	2008
Net assets, beginning of year	\$ 611,849,912	\$ (1,582,782)	\$ 648,441	\$ 49,373,405	\$ 660,288,976	\$ 783,661,960
Excess (deficiency) of revenue over expense	28,012,192	87,032,328	(173,437)	(45,979,160)	68,891,923	(93,558,545)
Invested in capital assets	-	-	22,903	(22,903)	-	-
Transfers	-	(27,095,874)	-	27,095,874	-	-
Distribution of capital	(9,746,518)	989,914	-	-	(8,756,604)	(29,814,439)
Net assets, end of year	\$ 630,115,586	\$ 59,343,586	\$ 497,907	\$ 30,467,216	\$ 720,424,295	\$ 660,288,976

See accompanying notes to financial statements.

VANCOUVER FOUNDATION

Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses before grant distributions	\$ 121,395,326	\$ (51,531,798)
Items not affecting cash:		
Contributions	(42,988,521)	(56,568,157)
Investment (gain) loss less investment management and custodian fees	(83,194,963)	102,801,564
Depreciation	173,437	133,693
	(4,614,721)	(5,164,698)
Changes in non-cash working capital:		
Accrued investment income receivable	725,613	1,724,758
Accounts payable and accrued liabilities	(354,453)	465,618
	(4,243,561)	(2,974,322)
Financing and investing:		
Capital asset additions	(22,903)	(563,436)
Distributions	(61,260,007)	(71,841,186)
Transfers from investments to cash	61,125,729	54,266,064
	(157,181)	(18,138,558)
Decrease in cash and cash equivalents	(4,400,742)	(21,112,880)
Cash and cash equivalents, beginning of year	32,771,307	53,884,187
Cash and cash equivalents, end of year	\$ 28,370,565	\$ 32,771,307

See accompanying notes to financial statements.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

1. Operations:

Vancouver Foundation (the Foundation) was established in 1943 and became incorporated through an Act of the Provincial Legislature in 1950.

The Foundation is registered with the Charities Division, Canada Revenue Agency, and is classified as a public foundation. As such, it is exempt from income taxes and can issue charitable donation receipts.

The income from funds donated and bequeathed to its endowment is used to provide for charitable purposes throughout British Columbia. The Foundation serves three major constituencies: its donors, the charitable sector and the community.

2. Significant accounting policies:

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles.

(a) Fund accounting:

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation follow the restricted fund method of accounting for contributions. Accordingly, resources are classified for accounting and financial reporting purposes into funds. These funds are held in accordance with either the objectives specified by the donors or with directives issued by the Board of Directors (the Board). To meet these objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. Transfers between the funds are made when appropriate, as authorized by the Board. These interfund transfers are recorded in the statement of changes in fund balances.

For financial reporting purposes, the accounts have been classified into the following funds:

(i) Consolidated Trust Funds (the CTF):

The CTF holds resources contributed for community endowment as well as funds subject to partial withdrawal according to the terms of the deeds of gift. The Board exercises discretionary control over the investment of these assets through external investment fund managers. Income earned on the CTF resources is reported in the CTF and, at the discretion of the Board, is either retained in the CTF or transferred to the Distribution and Administration Fund.

(ii) Other Trust Funds:

The Other Trust Funds include (through the Foundation's Investment Manager Program) resources over which the Foundation does not exercise discretionary investment control, and which are administered and distributed bearing in mind recommendations from the donors.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

2. Significant accounting policies (continued):

(a) Fund accounting (continued):

(iii) Distribution and Administration Fund:

The Distribution and Administration Fund represents resources authorized and allocated for grants and distributions. These are held in interest-bearing marketable securities and common shares denominated in Canadian currency. Funds Pending Distribution represents fund balances that are available for granting, but where no legal liability for payment has been created. This includes granting situations where grant funds have been set aside for identified projects, but grant finalization depends on certain conditions being met, as well as situations where no specific grant application has been yet proposed.

(iv) Interfund transfers:

Transfers are made from the CTF and Other Trust Funds to fund grant distributions and administrative expenses in the Distribution and Administration Fund. In 2009, \$26,618,008 from the CTF and \$477,866 from the Other Trust Funds were transferred to the Distribution and Administration Fund.

(b) Investments:

Investments are recorded at fair values determined on the last business day of the fiscal period.

(c) Cash and cash equivalents:

Cash and cash equivalents include short-term notes with terms to maturity of three months or less at the date of acquisition.

(d) Capital assets:

Purchased assets are recorded at cost and are amortized over their estimated useful lives. Management has estimated the useful lives to be:

Asset	Rate
Computer and office equipment	3 to 5 years straight-line
Office furniture	10 years straight-line
Leasehold improvements	Straight-line over the remaining term of the lease

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

2. Significant accounting policies (continued):

(e) Controlled entities:

(i) British Columbia Unclaimed Property Society:

On March 3, 2003, the British Columbia Unclaimed Property Society (BCUPS) was incorporated under the Society Act of the Province of British Columbia. The purpose of BCUPS is to act as the administrator under the Unclaimed Property Act (British Columbia) and Unclaimed Property Amendment Act, 2003. The Foundation owns all of the shares in three corporations that are the sole members of BCUPS, and thereby it is able to indirectly control the election of directors of the Society and the admission of new members to BCUPS. BCUPS' financial statements are not consolidated in the Foundation's financial statements. However, summary financial statements of BCUPS are included in note 7.

(ii) Giving in Action Society:

On May 16, 2006, Giving in Action Society (GIA) was incorporated as the VF Building Communities Society under the Society Act of the Province of British Columbia. On November 10, 2006, GIA changed its name to Giving in Action Society. The purpose of GIA is to provide grants to families who have a family member with developmental disabilities living at home, who have a child with special needs living at home, and other charitable activities as determined by the directors of GIA. The Foundation has the ability to appoint the directors of GIA, and to date has been the GIA's only source of contributions.

In 2006, the Foundation established the Family Independence Fund with contributions of \$30,000,000 from Community Living British Columbia. Also in 2006, the Foundation established the Children and Youth with Special Needs Supports Fund with contributions of \$10,000,000 from the Province of British Columbia – Ministry of Children and Family Development. The contributions of \$40,000,000 were invested in the Consolidated Trust Fund. When needed, the Foundation releases these funds, as contributions to GIA. GIA's financial statements are not consolidated in the Foundation's financial statements. However, summary financial statements of GIA are included in note 8.

(f) Revenue recognition:

Contributions are recognized on the earlier of when they are received and when the deeds of gift have been approved.

Bequests are recorded upon receipt of the donated assets. Bequests in a form other than cash or marketable securities are recorded at fair value as determined by the Board.

Interest on bonds, mortgages and short-term notes are recorded on an accrual basis. Dividends that have been declared are recorded as income on the date of record set for the dividend.

(g) Grants:

Grants are recorded when paid by the Foundation.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

2. Significant accounting policies (continued):

(h) Donated services:

A number of people donate significant time and expertise to the Foundation across its operations. However, since no objective basis exists for recording and assigning fair values to donated services, the value of this time has not been reflected in these financial statements.

(i) Management estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts and disclosures reported in financial statements and accompanying notes. Management believes that the estimates utilized in preparing these financial statements are reasonable and prudent, however, actual results could differ from these estimates.

(j) Financial instruments:

The Foundation's financial instruments consist of cash and cash equivalents, accrued investment income receivable, bonds and debentures, common shares and convertible securities, mortgages and real estate funds, and accounts payable and accrued liabilities.

The Foundation designated as held-for-trading all investments and cash and cash equivalents. Accrued investment income receivable is classified as loans and receivables and accounts payable and accrued liabilities as other liabilities.

Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame are recognized on a trade-date basis. Transaction costs are expensed as incurred on financial instruments classified as other than held-for-trading.

The fair values of cash and cash equivalents, accrued investment income receivable and accounts payable and accrued liabilities approximate their carrying values.

(k) Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

(l) Related party transactions:

Related party transactions in the normal course of business are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

3. Changes in accounting framework and accounting policies:

- (a) The Foundation is currently classified as a not-for-profit organization under the Act. The Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board (AcSB) is proposing to carry forward existing accounting standards for not-for-profit organizations into its new Accounting Handbook. The AcSB reconfirmed that existing standards for not-for-profit organizations will remain in effect for the time being until a mandatory effective date for adopting the new standards is established.

The CICA Public Sector Accounting Board (PSAB) is also establishing not for profit standards concurrently with the AcSB.

The Foundation intends to continue applying the existing not-for-profit standards and is awaiting the finalization of the new not-for-profit standards. Once the new standards are finalized the Foundation will determine the impact and which framework to adopt.

- (b) Effective January 1, 2009, the Foundation adopted a new accounting standard issued by CICA, Section 1540, *Cash Flow Statements*. As a result of adopting this standard, a cash flow statement is presented for 2009 and 2008.
- (c) Effective January 1, 2009, the Foundation adopted amendments issued by CICA, to Section 3862, *Financial Instruments*. This amendment expanded the disclosures required in respect of the fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements.
- (d) Effective January 1, 2009, the Foundation adopted EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The abstract clarifies the inclusion of credit risk in determining the fair value of financial assets and financial liabilities. Application of EIC-173 is to be applied retroactively without restatement of prior periods. The adoption of this abstract did not have a significant impact on the Foundation's financial statements.

4. Investments:

The Foundation's investments are carried at fair value in accordance with the significant accounting policy disclosed in note 2(b).

The Foundation's investments are exposed to market risk due to changing market conditions. The Foundation manages market risk by establishing and monitoring asset allocation strategies and by diversifying investments within the various asset classes to control overall market risk. Investments in foreign equities are exposed to currency risk due to fluctuations in foreign exchange rates. Derivative financial instruments may be utilized by the Foundation in the management of its foreign currency exposures. The Foundation's policy is not to utilize derivative financial instruments for trading or speculative purposes.

Details of significant terms and conditions and exposures to interest rate and credit risks on investments are as follows:

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

4. Investments (continued):

(a) Consolidated Trust Funds:

	Within 1 year	1 - 5 years	Over 5 years	No specific maturity	2009		2008		
					Total fair value	Cost	Total fair value	Cost	
Common shares and convertible securities:									
Canadian equities	\$ -	\$ -	\$ -	\$ 64,953,080	\$ 64,953,080	\$ 54,039,766	\$ 42,881,422	\$ 46,677,825	
Canadian pooled funds	-	-	-	85,627,516	85,627,516	84,793,481	65,237,825	83,750,258	
Total Canadian equities	-	-	-	150,580,596	150,580,596	138,833,247	108,119,247	130,428,083	
International equities	-	-	-	-	-	-	72,229,417	99,291,457	
International pooled funds	-	-	-	227,838,895	227,838,895	206,106,227	126,707,545	154,758,744	
Total International equities	-	-	-	227,838,895	227,838,895	206,106,227	198,936,962	254,050,201	
Total equities (note 4(a)(i))	-	-	-	378,419,491	378,419,491	344,939,474	307,056,209	384,478,284	
Bonds and debentures (note 4(a)(ii)):									
Government of Canada	3,080,796	48,249	8,975,566	-	12,104,611	12,295,867	9,409,458	8,804,735	
Canadian provincial, municipal and public authorities	6,114,614	-	33,890,168	-	40,004,782	39,728,004	38,598,790	38,246,727	
Canadian corporate	2,521,027	-	152,449	-	2,673,476	2,648,570	3,019,202	3,002,136	
US Treasury	-	-	-	-	-	-	1,654,163	1,720,245	
Bank certificates	-	197,660	-	-	197,660	190,000	197,683	190,000	
Pooled bond funds	-	-	-	163,549,704	163,549,704	162,661,335	164,467,416	175,424,425	
High interest savings accounts	-	-	-	200,000	200,000	200,000	-	-	
Total bonds and debentures	11,716,437	245,909	43,018,183	163,749,704	218,730,233	217,723,776	217,346,712	227,388,268	
Weighted average yield to maturity of bonds and debentures									
	0.70%	4.02%	5.16%						
Mortgages (note 4(a)(iii)):									
Direct mortgages	-	13,900,000	-	-	13,900,000	13,900,000	18,683,333	18,683,333	
Pooled mortgage funds	-	-	-	22,382,880	22,382,880	23,130,811	26,320,250	26,220,912	
	-	13,900,000	-	22,382,880	36,282,880	37,030,811	45,003,583	44,904,245	
Real estate (note 4(a)(iv)):									
Pooled real estate funds	-	-	-	35,017,394	35,017,394	30,286,481	35,151,136	28,075,582	
Total mortgages and real estate	\$ -	\$ 13,900,000	\$ -	\$ 57,400,274	\$ 71,300,274	\$ 67,317,292	\$ 80,154,719	\$ 72,979,827	
Total investments	\$ 11,716,437	\$ 14,145,909	\$ 43,018,183	\$ 599,569,469	\$ 668,449,998	\$ 629,980,542	\$ 604,557,640	\$ 684,846,379	

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

4. Investments (continued):

(a) Consolidated Trust Funds (continued):

(i) Equities:

Equities are valued using published market quotations.

The Foundation manages its equity market risk by allocating its equities component across five investment managers, with differing investment styles and mandates, none of which manages in excess of 23.1% of the equities component (2008 - 26.0%). Approximately 39.7% (2008 - 35.0%) of the Foundation's equity holdings are invested in Canadian equities by two managers and 60.3% (2008 - 65.0%) are invested in foreign equities by three managers as follows:

	2009	2008
Canadian:		
Financial services	15%	14%
Oil and gas	9	8
Industrial products	5	5
Utilities	1	1
Metals and minerals	2	1
Transportation and environmental services	3	2
Other sectors	8	9
Pooled equity funds	57	60
	100%	100%
Foreign:		
Financial services	-%	27%
Technology and communication	-	2
Other sectors	-	7
Pooled equity funds	100	64
	100%	100%

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

4. Investments (continued):

(a) Consolidated Trust Funds (continued):

(i) Equities (continued):

The managers of the Canadian pooled equity funds invest in diversified portfolios of Canadian common stocks. The value of any one investment in each fund does not exceed 6.2% of the respective manager's total equity portfolio.

The manager of the largest foreign pooled equity fund (approximately 38.3% of total foreign pooled equity funds) invests in large multinationals that generally have a minimum of US\$1 billion of market capitalization. The fund is generally diversified across all industry sectors.

(ii) Bonds:

The Foundation is invested in a number of individual bonds, as well as pooled bond funds. The bonds are valued using published market quotations.

The pooled bond funds invest in federal, provincial, municipal and corporate bonds with a minimum B credit rating.

(iii) Mortgages:

All mortgages relate to properties located in Canada. The direct mortgages are secured by real estate, were made at commercial rates and are valued at fair value. The remaining mortgages mature between August 8, 2010 and January 3, 2012.

(iv) Real estate:

Real estate is valued quarterly by the real estate investment managers using a combination of internal and external appraisals to establish current market values. All real estate investments are in Canadian property.

(b) Other Trust Funds:

	2009		2008	
	Fair value	Cost	Fair value	Cost
Common shares and convertible securities	\$ 4,056,458	\$ 4,330,489	\$ 2,625,859	\$ 3,962,640
Bonds and debentures	\$ 2,646,318	\$ 2,687,561	\$ 2,328,225	\$ 2,474,839
Mortgages, real estate and other assets	\$ 71,000	\$ 71,000	\$ 506,165	\$ 506,165
Total investments	\$ 6,773,776	\$ 7,089,050	\$ 5,460,249	\$ 6,943,644

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

4. Investments (continued):

(c) Distribution and Administration Fund:

	Weighted average term to maturity (years)	Yield	2009	
			Fair value	Cost
Common shares			\$ 100,000	\$ 100,000
Bonds:				
Government of Canada	0.92	0.83%	3,245,974	3,168,728
Canadian provincial and municipal authorities	5.60	3.20	10,498,222	10,194,999
Foreign	6.11	3.70	621,858	581,024
Total Investments			\$ 14,466,054	\$ 14,044,751

	Weighted average term to maturity (years)	Yield	2008	
			Fair value	Cost
Bonds:				
Government of Canada	1.92	1.31%	\$ 3,363,836	\$ 3,168,728
Canadian provincial and municipal authorities	5.24	3.04	10,621,428	10,261,396
Foreign	7.11	3.60	628,920	581,024
Total Investments			\$ 14,614,184	\$ 14,011,148

5. Cash and cash equivalents:

	2009	2008
Cash	\$ 14,771,135	\$ 22,736,526
Short-term notes	8,101,403	8,130,183
Pooled Money Market Funds	5,498,027	1,904,598
	\$ 28,370,565	\$ 32,771,307

Short-term notes have a weighted average term to maturity of 29 days (2008 - 6 days) and a weighted average interest rate of 0.25% (2008 - 2.75%).

6. Capital assets:

	Cost	Accumulated depreciation	2009	2008
			Net book value	Net book value
Computer and office equipment	\$ 264,308	\$ 91,296	\$ 173,012	\$ 157,101
Office furniture	579,412	506,597	72,815	154,930
Leasehold improvements	487,459	235,379	252,080	336,410
	\$ 1,331,179	\$ 833,272	\$ 497,907	\$ 648,441

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

6. Capital assets (continued):

Amortization expense for the year ended December 31, 2009 is \$173,437 (2008 - \$133,693). Additions to capital assets for the year ended December 31, 2009 totalled \$22,903 (2008 - \$563,436).

7. British Columbia Unclaimed Property Society:

(a) A summary of British Columbia Unclaimed Property Society's financial statements at December 31, 2009 is as follows:

Balance Sheet	2009	2008
Investments	\$ 11,993,825	\$ 12,257,432
Cash	1,752,995	2,872,574
Other	25,014	24,034
	\$ 13,771,834	\$ 15,154,040
Accounts payable and accrued liabilities	\$ 28,987	\$ 12,505
Old unclaimed property funds (note 7(b))	1,098,554	1,417,380
New unclaimed property funds	11,392,821	12,370,937
Fund balance	1,251,472	1,353,218
	\$ 13,771,834	\$ 15,154,040

Statement of Operations	2009	2008
Revenue	\$ 342,214	\$ 1,107,619
Expenses (note 7(c))	(443,960)	(386,075)
Excess of revenue over expenses	(101,746)	721,544
Fund balance, beginning of year	1,353,218	631,674
Fund balance, end of year	\$ 1,251,472	\$ 1,353,218

Statement of Cash Flows	2009	2008
Cash flows from operating activities	\$ (1,117,818)	\$ 1,477,926
Cash flows related to investing activities	\$ (1,761)	\$ (1,941)

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

7. British Columbia Unclaimed Property Society (continued):

- (b) Pursuant to the Administration Agreement between the British Columbia Unclaimed Property Society and the Province of British Columbia, any pre-April 1, 2003 unclaimed funds that are unused as at April 1, 2008 were to be returned to the Province of British Columbia. During 2008, the Province renewed the agreement for an indefinite term until either party gives written notice to terminate the agreement with one year's notice. At December 31, 2009, the balance of these unused funds is \$1,098,554 (2008 - \$1,417,380).
- (c) The Foundation subleases office space to the Society, in respect of which it charged the Society \$28,509 (2008 - \$26,427) for the year ended December 31, 2009.

In addition, the Society paid management services fees to the Foundation for information technology and general accounting support, legal advice and financial, general management and administrative services. The amount paid for such services for the year ended December 31, 2009 was \$50,000 (2008 - \$50,000).

During 2009, the Society paid \$24,000 (2008 - \$13,500) to Vancouver Foundation for communications consulting fees.

- (d) As provided for in the Administration Agreement, during 2009, the Society transferred, from new unclaimed property funds held by it, \$4,000,000 (2008 - \$2,000,000) to the Foundation for its charitable purposes, which is included in contributions to the Distribution and Administration Fund. The Board of Directors of the Society has also approved an additional transfer of \$1,500,000 to the Foundation for its charitable purposes in 2010.

8. Giving in Action Society:

- (a) Summary of Giving in Action's financial statements at December 31, 2009 is as follows:

Balance Sheet	2009	2008
Cash	\$ 1,406,663	\$ 1,068,998
Receivables	8,859	1,290
Capital assets	5,232	6,472
	\$ 1,420,754	\$ 1,076,760
Accounts payable and accrued liabilities	\$ 6,235	\$ 8,773
Fund balance	1,414,519	1,067,987
	\$ 1,420,754	\$ 1,076,760

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

8. Giving in Action Society (continued):

(a) Continued:

Statement of Operations	2009	2008
Revenue (note 8(b))	\$ 8,235,865	\$ 7,282,882
Grants	(7,509,206)	(8,109,477)
Expenses (note 8(c))	(380,127)	(368,329)
Excess (deficiency) of revenue over expenses	346,532	(1,194,924)
Fund balance, beginning of year	1,067,987	2,262,911
Fund balance, end of year	\$ 1,414,519	\$ 1,067,987

(b) The Foundation contributed \$8,229,853 (2008 - \$7,231,349) to the Society for the year ended December 31, 2009 of which \$2,190,530 (2008 - \$5,521,151) is included in distribution of capital from the Consolidated Trust Fund. The remaining \$6,039,323 (2008 - \$1,710,198) is included in grant distributions from the Distribution and Administration Fund.

(c) The Foundation subleases office space to the Society, in respect of which it charged the Society \$28,623 (2008 - \$17,800) for the year ended December 31, 2009.

9. Commitments:

(a) Grants:

In addition to the amounts presented under "Funds pending distribution", the Foundation has committed to grants totalling \$579,889 (2008 - \$542,025) payable from future returns. Payment of these grants is conditional on the recipients meeting certain criteria and providing certain supporting information.

(b) Office lease:

The Foundation has a lease agreement for office premises involving the following annual commitment for minimum lease payments:

2010	\$ 625,962
2011	625,962
2012	625,962
2013	156,490
	<hr/>
	\$ 2,034,376

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

10. Financial risk management:

(a) Overview:

The Foundation has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Foundation adheres to an Investment Policy, which is approved by the Board of Directors, that outlines the objectives, policies and processes related to its investing activities. This policy prescribes limits around the quality and concentration of investments held by the Foundation. The Board of Directors has overall responsibility for the establishment and oversight of the Foundation's risk management framework.

(b) Credit risk:

Credit risk is the risk of financial loss to the Foundation if a counterparty to a financial instrument fails to meet its contractual obligations. The Foundation's investments in short term investments and bonds and debentures are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value. The Foundation manages the risk by limiting the credit exposure allowed by the fixed income managers. The Investment Policy of the Foundation mandates that the maximum exposure to bonds rated "BBB" or below by Dominion Bond Rating Service (DBRS) is 20% of the fixed income portfolio and no fixed income security rated lower than "B (low)" can be purchased. Cash and short term paper up to one year term maturity must have a DBRS credit rating of R-1. As at December 31, 2009, the Foundation's credit exposures were as follows:

	Percentage of market value of total fixed income portfolio
AAA rated securities	29%
AA	28%
A	21%
BBB	6%
Below BBB	1%
Mortgages (unrated)	15%

In addition, the Foundation participates in a securities lending program with its custodian, RBC Dexia. While there is some exposure to counterparty risk through this program, RBC Dexia has indemnified the Foundation against any losses that might result from this risk exposure. The Foundation's exposure to and management of credit risk has not changed materially since December 31, 2008.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

10. Financial risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they fall due. The majority of the Foundation's assets are investments traded in active markets that can be readily liquidated and therefore the Foundation's liquidity risk is considered minimal. In addition, the Foundation aims to retain sufficient cash positions to manage liquidity. The Foundation's exposure to and management of liquidity risk has not changed materially since December 31, 2008.

(d) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates, interest rates and equity prices, will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the return.

(i) Currency risk:

Investments in foreign securities are exposed to currency risk due to fluctuations in foreign exchange rates.

The Foundation is exposed to currency risk on its foreign market common stock and its foreign market bonds and debentures, as the prices denominated in foreign currencies are converted to Canadian dollars in determining fair value. The objective of the Foundation's investment policy is to control currency risk by maintaining a geographically diversified portfolio. The Foundation's two bond managers invest a portion of their portfolios in foreign bonds, but are restricted to hold only a small exposure to unhedged foreign currencies. Total exposure to foreign equities as at December 31, 2009 was \$226,828,407 (60.3% of total equities portfolio).

From time to time, the Foundation's external investment fund managers may hold relatively minor balances in cash and cash equivalents denominated in non-Canadian currencies. The currency risk related to these balances is not significant.

The most significant exposure to currency risk is \$155,118,301 (23.7% of investments) denominated in US dollars.

A hypothetical 10 percent weakening (strengthening) of the Canadian dollar against the US dollar at December 31, 2009 would have increased (decreased) net assets and investment income for the year by \$15.5 million. This analysis assumes that all other variables, in particular interest rates, remained constant.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

10. Financial risk management (continued):

(d) Market risk (continued):

(ii) Interest rate risk:

Interest rate risk relates to the risk that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Foundation. The Foundation is invested in a number of individual bonds, as well as pooled bond funds. The Foundation also invests in mortgages secured by real estate.

Duration is the most common measure of the sensitivity of the price of a bond to a change in interest rates. As at December 31, 2009, the Foundation's bond portfolio had an average duration of 6.3 years. Therefore, if bond yields increased (decreased) by 1%, the bond portfolio would decrease (increase) in value by approximately \$13.2 million or 6.2%. The bond portfolio is managed by two different investment managers who vary the duration of their portfolios (within mandated constraints) to reflect their outlooks for interest rates.

(iii) Other price risk:

The Foundation invests its various funds according to an Investment Policy Statement approved by the Board of Directors. The Investment Policy Statement applies to all investments held in the Foundation's Consolidated Trust Fund and it includes restrictions regarding the minimum and maximum amount of Canadian equities, global equities, fixed income, real estate, mortgages and short term investments. The diversification across various asset classes is designed to decrease the volatility of portfolio returns

11. Capital management:

The Foundation is not subject to externally imposed capital requirements and invests in accordance with the Vancouver Foundation Act (the Act). The Act generally requires that capital in the Foundation be maintained in perpetuity. In 2008, the Act was revised to allow the Foundation to make distributions up to 7% of the original contributed capital for the trust fund determined as of December 31, 2008 subject to the Board's approval. Under this facility, the Board approved a distribution of capital of \$5,006,139 which was distributed in the first quarter of 2009. These amounts were recontributed to capital in the fourth quarter of 2009.

12. Fair values of financial assets and liabilities:

The following table shows a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Foundations' investments. The hierarchy of inputs is summarized below:

- Quoted prices (unadjusted) in active markets (Level 1)
- Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. prices) or indirectly (i.e. derived from prices) (Level 2)
- Inputs that are not based on observable market data (unobservable inputs) (Level 3)

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2009

12. Fair values of financial assets and liabilities (continued):

The following is a summary of the inputs used as of December 31, 2009 in valuing the respective investments carried at fair values:

Consolidated Trust Funds

	Level 1	Level 2	Level 3	Total
Common shares and convertible securities	\$ 65,106,618	\$ 313,312,873	\$ -	\$ 378,419,491
Bonds and debentures	-	218,730,233	-	218,730,233
Mortgages and real estate	-	8,031,630	63,268,644	71,300,274
	\$ 65,106,618	\$ 540,074,736	\$63,268,644	\$ 668,449,998

Other Trust Funds

	Level 1	Level 2	Level 3	Total
Common shares and convertible securities	\$ 119,417	\$ 3,937,041	\$ -	\$ 4,056,458
Bonds and debentures	-	2,646,318	-	2,646,318
Mortgages and real estate	-	-	71,000	71,000
	\$ 119,417	\$ 6,583,359	\$ 71,000	\$ 6,773,776

Distribution and Administration Fund

	Level 1	Level 2	Level 3	Total
Common shares and convertible securities	\$ -	\$ -	\$ 100,000	\$ 100,000
Bonds and debentures	-	14,366,054	-	14,366,054
Mortgages and real estate	-	-	-	-
	\$ -	\$ 14,366,054	\$ 100,000	\$ 14,466,054

The following table shows a reconciliation of the movements in the fair value of the Foundation's Level 3 investments during the year:

	Consolidated Trust Funds	Other Trust Funds	Distribution and Administration Fund	Total
Opening balance	\$ 71,700,945	\$ 71,000	\$ -	\$ 71,771,945
Purchases (disposals)	(7,457,083)	-	100,000	(7,357,083)
Gains (losses)	(975,218)	-	-	(975,218)
Closing balance	\$ 63,268,644	\$ 71,000	\$ 100,000	\$ 63,439,644