

Financial Statements of

VANCOUVER FOUNDATION

Year ended December 31, 2008



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

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

AUDITORS' REPORT

To the Directors of Vancouver Foundation

We have audited the statement of financial position of Vancouver Foundation as at December 31, 2008 and the statements of revenue and expenses and changes in fund balances and of changes in net assets 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, 2008 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada

March 6, 2009

VANCOUVER FOUNDATION

Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	Consolidated Trust Fund	Other Trust Funds	Distribution and Administration Fund	2008	2007
Assets					
Investment portfolio (note 4):					
Common shares and convertible securities	\$ 307,056,209	\$ 2,625,859	\$ -	\$ 309,682,068	\$ 419,157,531
Bonds and debentures	217,346,712	2,328,225	14,614,184	234,289,121	215,805,051
Mortgages and real estate	80,154,719	506,165	-	80,660,884	90,168,962
	604,557,640	5,460,249	14,614,184	624,632,073	725,131,544
Cash and cash equivalents (note 5)	3,914,046	174,343	28,682,918	32,771,307	53,884,187
Accrued investment income receivable	3,426,897	1,073	119,453	3,547,423	5,272,181
	611,898,583	5,635,665	43,416,555	660,950,803	784,287,912
Capital assets (note 6)	-	-	648,441	648,441	218,698
	\$ 611,898,583	\$ 5,635,665	\$ 44,064,996	\$ 661,599,244	\$ 784,506,610

Liabilities

Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,310,268	\$ 1,310,268	\$ 844,650
---	------	------	--------------	--------------	------------

Net assets

Contributed principal	604,887,821	6,962,091	-	611,849,912	612,172,517
Retained returns from investments	(256,356)	(1,326,426)	-	(1,582,782)	136,403,414
Invested in capital assets	-	-	648,441	648,441	218,698
Funds pending distribution	7,267,118	-	42,106,287	49,373,405	34,867,331
Total fund balances	611,898,583	5,635,665	42,754,728	660,288,976	783,661,960
	\$ 611,898,583	\$ 5,635,665	\$ 44,064,996	\$ 661,599,244	\$ 784,506,610

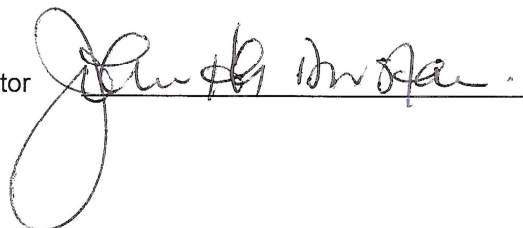
Commitments (note 9)

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, 2008, with comparative figures for 2007

	Consolidated Trust Fund	Other Trust Funds	Distribution and Administration Fund	2008	2007
Revenue:					
Contributions:					
General	\$ 39,718,319	\$ 923,406	\$ 5,317,530	\$ 45,959,255	\$ 48,293,390
Government of B.C.	9,405,902	-	1,203,000	10,608,902	3,448,711
Investment income (loss)	(100,639,336)	(1,232,465)	1,296,123	(100,575,678)	4,085,716
Administration fee	(3,251,628)	(24,030)	3,275,658	-	-
Less external investment management and custodian fees	(2,166,232)	(29,317)	(30,337)	(2,225,886)	(2,903,082)
	(56,932,975)	(362,406)	11,061,974	(46,233,407)	52,924,735
Expenses:					
Administration	-	-	1,865,828	1,865,828	1,662,998
Communications	-	-	758,445	758,445	529,438
Program services	-	-	1,425,133	1,425,133	1,185,692
Donor services	-	-	1,248,985	1,248,985	887,255
	-	-	5,298,391	5,298,391	4,265,383
Excess (deficiency) of revenue over expenses before grant distributions	(56,932,975)	(362,406)	5,763,583	(51,531,798)	48,659,352
Grant distributions	-	(186,008)	(41,840,739)	(42,026,747)	(39,740,210)
Excess (deficiency) of revenue over expenses	(56,932,975)	(548,414)	(36,077,156)	(93,558,545)	8,919,142
Fund balances, beginning of year	742,359,686	6,216,245	35,086,029	783,661,960	823,799,616
Interfund transfers	(43,713,689)	(32,166)	43,745,855	-	-
Distribution of capital from contributed principal	(29,345,653)	-	-	(29,345,653)	(47,385,587)
Distribution of capital from retained returns	(468,786)	-	-	(468,786)	(1,671,211)
Fund balances, end of year	\$ 611,898,583	\$ 5,635,665	\$ 42,754,728	\$ 660,288,976	\$ 783,661,960

See accompanying notes to financial statements.

VANCOUVER FOUNDATION

Statement of Changes in Net Assets

Year ended December 31, 2008, with comparative figures for 2007

	Contributed Principal	Retained returns from investments	Invested in capital assets	Funds pending distribution	2008	2007
Net assets, beginning of year	\$ 612,172,517	\$ 136,403,414	\$ 218,698	\$ 34,867,331	\$ 783,661,960	\$ 823,548,627
Transition adjustment	-	-	-	-	-	250,989
Excess (deficiency) of revenue over expense	29,023,048	(93,803,721)	(133,693)	(28,644,179)	(93,558,545)	8,919,142
Invested in capital assets	-	-	563,436	(563,436)	-	-
Transfers	-	(43,713,689)	-	43,713,689	-	-
Distribution of capital	(29,345,653)	(468,786)	-	-	(29,814,439)	(49,056,798)
Net assets, end of year	\$ 611,849,912	\$ (1,582,782)	\$ 648,441	\$ 49,373,405	\$ 660,288,976	\$ 783,661,960

See accompanying notes to financial statements.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2008

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 Fund (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, 2008

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 denominated in Canadian currency. Funds Pending Distribution represent 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.

(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 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

(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.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2008

2. Significant accounting policies (continued):

(e) Controlled entities (continued):

(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 the 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.

(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.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2008

2. Significant accounting policies (continued):

(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) Statement of cash flows:

A statement of cash flows has not been presented as management does not consider it would provide significant additional meaningful information.

(l) Comparative figures:

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

(m) 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.

3. Changes in accounting policies:

Effective January 1, 2008, the Foundation adopted new accounting standards issued by CICA, Section 3862, *Financial Instruments - Disclosure*, Section 3863 - *Financial Instruments - Presentation*, and Section 1535 - *Capital Disclosures*. The new standards require additional disclosures regarding financial instrument risks and capital management practices. As a result of adopting these standards, new or enhanced disclosure is provided in notes 10 and 11.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2008

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:

(a) Consolidated Trust Fund

	Within 1 year	1 - 5 years	Over 5 years	No specific maturity	2008		2007	
					Total fair value	Cost	Total fair value	Cost
Common shares and convertible securities:								
Canadian equities	\$	\$	\$	\$ 42,881,422	\$ 42,881,422	\$ 46,677,825	\$ 74,202,153	\$ 53,788,125
Canadian pooled funds				65,237,825	65,237,825	83,750,258	81,556,981	75,610,992
Total Canadian equities				108,119,247	108,119,247	130,428,083	155,759,134	129,399,117
International equities				72,229,417	72,229,417	99,291,457	154,890,974	161,317,910
International pooled funds				126,707,545	126,707,545	154,758,744	105,201,842	106,197,716
Total International equities				198,936,962	198,936,962	254,050,201	260,092,816	267,515,626
Total equities (note 4(a)(i))				307,056,209	307,056,209	384,478,284	415,851,950	396,914,743
Bonds and debentures (note 4(a)(ii)):								
Government of Canada	1,033,264	2,737,553	5,638,641		9,409,458	8,804,735	25,441,967	25,318,363
Canadian provincial, municipal and public authorities	2,532,580		36,066,210		38,598,790	38,246,727	33,374,178	32,652,380
Canadian corporate	2,996,759	13,343	9,100		3,019,202	3,002,136	17,364	17,858
US Treasury			1,654,163		1,654,163	1,720,245		
Bank certificates		197,683			197,683	190,000		
Pooled bond funds				164,467,416	164,467,416	175,424,425	140,757,237	144,658,735
Total bonds and debentures	6,562,603	2,948,579	43,368,114	164,467,416	217,346,712	227,388,268	199,590,746	202,647,336
Weighted average yield to maturity of bonds and debentures								
	1.09%	4.00%	4.94%					
Mortgages (note 4(a)(iii)):								
Direct mortgages	3,333,333	13,900,000		1,450,000	18,683,333	18,683,333	26,790,333	26,790,333
Pooled mortgage funds				26,320,250	26,320,250	26,220,912	26,320,989	26,220,912
	3,333,333	13,900,000		27,770,250	45,003,583	44,904,245	53,111,322	53,011,245
Real estate (note 4(a)(iv)):								
Pooled real estate funds				35,151,136	35,151,136	28,075,582	36,527,664	27,231,225
Total mortgages and real estate	\$3,333,333	\$13,900,000	\$	\$ 62,921,386	\$ 80,154,719	\$ 72,979,827	\$ 89,638,986	\$ 80,242,470
Total investments	\$9,895,936	\$16,848,579	\$43,368,114	\$534,445,011	\$604,557,640	\$684,846,379	\$705,081,682	\$679,804,549

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2008

4. Investments (continued):

(a) Consolidated Trust Fund (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 26.0% of the equities component. Approximately 35.0% (2007 - 37.5%) of the Foundation's equity holdings are invested in Canadian equities by three managers and 65.0% (2007 - 62.5%) are invested in foreign equities by five managers as follows:

	2008	2007
Canadian:		
Financial services	14%	15%
Oil and gas	8	9
Industrial products	5	6
Utilities	1	2
Metals and minerals	1	4
Transportation and environmental services	2	2
Other sectors	9	10
Pooled equity funds	60	52
	100%	100%
Foreign:		
Financial services	27%	34%
Technology and communication	2	8
Other sectors	7	18
Pooled equity funds	64	40
	100%	100%

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 16.0% of the respective manager's total equity portfolio.

The manager of the largest foreign pooled equity fund (approximately 60.0% 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.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2008

4. Investments (continued):

(a) Consolidated Trust Fund (continued):

(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. One mortgage in the amount of \$1,450,000 has no fixed maturity date. The remaining mortgages mature between October 31, 2009 and March 1, 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 Fund:

	2008		2007	
	Fair value	Cost	Fair value	Cost
Common shares and convertible securities	\$ 2,625,859	\$ 3,962,640	\$ 3,305,581	\$ 3,406,458
Bonds and debentures	\$ 2,328,225	\$ 2,474,839	\$ 2,014,152	\$ 2,047,293
Mortgages, real estate and other assets	\$ 506,165	\$ 506,165	\$ 529,976	\$ 529,976
Total investments	\$ 5,460,249	\$ 6,943,644	\$ 5,849,709	\$ 5,983,727

(c) Distribution and Administration Fund:

	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

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2008

4. Investments (continued):

(c) Distribution and Administration Fund (continued):

	Weighted average term to maturity (years)	Yield	2007	
			Fair value	Cost
Bonds:				
Government of Canada	2.9	3.9%	\$ 3,257,319	\$ 3,168,728
Canadian provincial and municipal authorities	4.9	4.3	10,349,566	10,304,039
Foreign	7.9	4.5	593,268	581,024
			\$ 14,200,153	\$ 14,053,791

5. Cash and cash equivalents:

	2008	2007
Cash	\$ 22,736,526	\$ 37,065,713
Short-term notes	8,130,183	6,849,183
Pooled Money Market Funds	1,904,598	9,969,291
	\$ 32,771,307	\$ 53,884,187

Short-term notes have a weighted average term to maturity of 6 days (2007 -11 days) and a weighted average interest rate of 2.75% (2007 - 5.01%).

6. Capital assets:

	Cost	Accumulated depreciation	2008	2007
			Net book value	Net book value
Computer and office equipment	\$ 639,802	\$ 482,701	\$ 157,101	\$ 132,869
Office furniture	181,016	26,086	154,930	61,011
Leasehold improvements	487,459	151,049	336,410	24,818
	\$1,308,277	\$ 659,836	\$ 648,441	\$ 218,698

Amortization expense for the year ended December 31, 2008 is \$133,693 (2007 - \$81,990). Additions to capital assets for the year ended December 31, 2008 totalled \$563,436 (2007 - \$108,116).

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2008

7. British Columbia Unclaimed Property Society:

(a) A summary of British Columbia Unclaimed Property Society's financial statements at December 31, 2008 is as follows:

Balance Sheet	2008	2007
Investments	\$ 12,257,432	\$ 11,779,782
Cash	2,872,574	1,396,589
Other	24,034	24,541
	\$ 15,154,040	\$ 13,200,912
Accounts payable and accrued liabilities	\$ 12,505	\$ 45,864
Old unclaimed property funds (note 7(b))	1,417,380	1,510,020
New unclaimed property funds	12,370,937	11,013,354
Fund balance	1,353,218	631,674
	\$ 15,154,040	\$ 13,200,912

Statement of Operations	2008	2007
Revenue	\$ 1,107,619	\$ 464,705
Expenses (note 7(c))	(386,075)	(372,444)
Excess of revenue over expenses	721,544	92,261
Fund balance, beginning of year	631,674	526,872
Transition adjustment	-	12,541
Fund balance, end of year	\$ 1,353,218	\$ 631,674

Statement of Cash Flows	2008	2007
Cash flows from operating activities	\$ 1,477,926	\$ 3,333,527
Cash flows related to investing activities	\$ (1,941)	\$ (2,650,000)

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2008

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, 2008, the balance of these unused funds is \$1,417,380 (2007 - \$1,510,020).
- (c) The Foundation subleases office space to the Society, in respect of which it charged the Society \$26,427 (2007 - \$36,900) for the year ended December 31, 2008.

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, 2008 was \$50,000 (2007 - \$50,000).

From July to December 2008, the Society paid \$13,500 (2007 - nil) to Vancouver Foundation for communications consulting fees.

- (d) As provided for in the Administration Agreement, during 2008, the Society transferred, from new unclaimed property funds held by it, \$2,000,000 (2007 - \$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 \$4,000,000 to the Foundation for its charitable purposes in 2009.

8. Giving in Action Society:

- (a) Summary of Giving in Action's financial statements at December 31, 2008 is as follows:

Balance Sheet	2008	2007
Cash	\$ 1,068,998	\$ 2,267,389
Receivables	1,290	1,754
Capital assets	6,472	4,723
	\$ 1,076,760	\$ 2,273,866
Accounts payable and accrued liabilities	8,773	10,955
Fund balance	1,067,987	2,262,911
	\$ 1,076,760	\$ 2,273,866

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2008

8. Giving in Action Society:

(a) Continued:

Statement of Operations	2008	2007
Revenue (note 8(b))	\$ 7,282,882	\$ 9,220,477
Grants	(8,109,477)	(6,555,645)
Expenses (note 8(c))	(368,329)	(390,406)
Excess (deficiency) of revenue over expenses	(1,194,924)	2,274,426
Fund balance, beginning of year	2,262,911	(11,515)
Fund balance, end of year	\$ 1,067,987	\$ 2,262,911

(b) The Foundation contributed \$7,231,349 (2007 - \$9,161,096) to the Society for the year ended December 31, 2008 of which \$5,521,151 (2007 - \$7,750,000) is included in distribution of capital from the Consolidated Trust Fund. The remaining \$1,710,198 (2007 - \$1,411,096) 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 \$17,800 (2007 - nil) for the year ended December 31, 2008.

9. Commitments:

(a) Grants:

In addition to the amounts presented under "Funds pending distribution", the Foundation has committed to grants totalling \$542,025 (2007 - \$968,000) 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:

2009	\$ 502,908
2010	502,908
2011	502,908
2012	502,908
2013	125,727
	\$ 2,137,359

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2008

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, 2008, the Foundation's credit exposures were as follows:

	Percentage of market value of total fixed income portfolio
AAA rated securities	22.3%
AA	51.0%
A	22.4%
BBB	4.0%
Below BBB	0.3%

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, 2007.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2008

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, 2007.

(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, 2008 was \$198,936,962 (65% 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 \$143,820,259 (23.8% of investments) denominated in US dollars.

A hypothetical 10 percent weakening (strengthening) of the Canadian dollar against the US dollar at December 31, 2008 would have increased (decreased) net assets and investment income for the year by \$16 million. This analysis assumes that all other variables, in particular interest rates, remained constant.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2008

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, 2008, the Foundation's bond portfolio had an average duration of 5.8 years. Therefore, if interest rates increased (decreased) by 1%, the bond portfolio would decrease (increase) in value by approximately \$12.6 million or 5.8%. 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.