

Financial Statements of

VANCOUVER FOUNDATION

Year ended December 31, 2010



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INDEPENDENT AUDITORS' REPORT

To the Directors of Vancouver Foundation

We have audited the accompanying financial statements of Vancouver Foundation, which comprise the statement of financial position as at December 31, 2010 and the statements of revenue and expenses, and changes in fund balances, 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 Vancouver Foundation as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

April 14, 2011
Vancouver, Canada

VANCOUVER FOUNDATION

Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	Consolidated Trust Funds	Other Trust Funds	Distribution and Administration Funds	2010	2009
Assets					
Investment portfolio (note 4):					
Common shares and convertible securities	\$ 412,758,881	\$ 4,749,803	\$ 1,021,501	\$ 418,530,185	\$ 382,575,949
Bonds and debentures	211,767,505	2,884,701	18,590,398	233,242,604	235,742,605
Mortgages and real estate	64,347,342	71,000	-	64,418,342	71,371,274
Accrued investment income receivable	361,455	-	132,695	494,150	2,821,810
	689,235,183	7,705,504	19,744,594	716,685,281	692,511,638
Cash and cash equivalents (note 5)	22,938,881	185,364	8,018,666	31,142,911	28,370,565
Capital assets (note 6)	-	-	878,556	878,556	497,907
	\$ 712,174,064	\$ 7,890,868	\$ 28,641,816	\$ 748,706,748	\$ 721,380,110

Liabilities

Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,054,062	\$ 1,054,062	\$ 955,815
Interfund payables	8,346,995	23,973	(8,370,968)	-	-

Net assets

Contributed principal	619,617,175	7,299,113	99,999	627,016,287	630,115,586
Retained returns from investments	84,209,894	567,782	241,004	85,018,680	59,343,586
Invested in capital assets	-	-	878,556	878,556	497,907
Funds pending distribution	-	-	34,739,163	34,739,163	30,467,216
Total fund balances	703,827,069	7,866,895	35,958,722	747,652,686	720,424,295
	\$ 712,174,064	\$ 7,890,868	\$ 28,641,816	\$ 748,706,748	\$ 721,380,110

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, 2010, with comparative figures for 2009

	Consolidated Trust Funds	Other Trust Funds	Distribution and Administration Funds	2010	2009
Revenue:					
Contributions:					
General	\$ 20,082,006	\$ 40,000	\$ 6,271,188	\$ 26,393,194	\$ 42,451,258
Government	129,942	334,562	497,370	961,874	537,263
Investment income	56,349,120	692,246	951,410	57,992,776	85,749,154
Administration fee	(4,795,554)	(37,367)	4,832,921	-	-
Less external investment management and custodian fees	-	-	(2,679,220)	(2,679,220)	(2,554,191)
	71,765,514	1,029,441	9,873,669	82,668,624	126,183,484
Expenses:					
Administration	-	-	2,296,982	2,296,982	2,185,324
Communications	-	-	586,214	586,214	615,066
Program services	-	-	1,285,010	1,285,010	869,701
Donor services	-	-	1,071,660	1,071,660	1,118,067
	-	-	5,239,866	5,239,866	4,788,158
Excess of revenue over expenses before grant distributions	71,765,514	1,029,441	4,633,803	77,428,758	121,395,326
Grant distributions	-	-	(44,445,501)	(44,445,501)	(52,503,403)
Excess (deficiency) of revenue over expenses	71,765,514	1,029,441	(39,811,698)	32,983,257	68,891,923
Fund balances, beginning of year	682,465,846	6,883,326	31,075,123	720,424,295	660,288,976
Interfund transfers	(45,889,628)	(45,872)	45,935,500	-	-
Recapitalized income	1,240,203	-	(1,240,203)	-	-
Distribution of capital from contributed principal and retained returns	(5,754,866)	-	-	(5,754,866)	(8,756,604)
Fund balances, end of year	\$ 703,827,069	\$ 7,866,895	\$ 35,958,722	\$ 747,652,686	\$ 720,424,295

See accompanying notes to financial statements.

VANCOUVER FOUNDATION

Statement of Changes in Net Assets

Year ended December 31, 2010, with comparative figures for 2009

	Contributed Principal	Retained returns from investments	Invested in capital assets	Funds pending distribution	2010	2009
Net assets, beginning of year	\$ 630,115,586	\$ 59,343,586	\$ 497,907	\$ 30,467,216	\$ 720,424,295	\$ 660,288,976
Excess (deficiency) of revenue over expense	20,586,510	12,541,987	(145,240)	-	32,983,257	68,891,923
Invested in capital assets	-	(525,889)	525,889	-	-	-
Transfers	(19,171,146)	13,658,996	-	5,512,150	-	-
Distributions of capital	(5,754,866)	-	-	-	(5,754,866)	(8,756,604)
Recapitalized income	1,240,203	-	-	(1,240,203)	-	-
Net assets, end of year	\$ 627,016,287	\$ 85,018,680	\$ 878,556	\$ 34,739,163	\$ 747,652,686	\$ 720,424,295

See accompanying notes to financial statements.

VANCOUVER FOUNDATION

Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses before grant distributions	\$ 77,428,758	\$ 121,395,326
Items not affecting cash:		
Contributions	(27,355,068)	(42,988,521)
Investment gain less investment management and custodian fees	(55,313,556)	(83,194,963)
Depreciation	145,240	173,437
	(5,094,626)	(4,614,721)
Changes in non-cash working capital:		
Accrued investment income receivable	2,327,660	725,613
Accounts payable and accrued liabilities	98,247	(354,453)
	(2,668,719)	(4,243,561)
Financing and investing:		
Capital asset additions	(525,889)	(22,903)
Distributions	(44,445,501)	(61,260,007)
Transfers from investments to cash	50,412,455	61,125,729
	5,441,065	(157,181)
Increase (decrease) in cash and cash equivalents	2,772,346	(4,400,742)
Cash and cash equivalents, beginning of year	28,370,565	32,771,307
Cash and cash equivalents, end of year	\$ 31,142,911	\$ 28,370,565

See accompanying notes to financial statements.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

1. Operations:

Vancouver Foundation (the Foundation) was established in 1943 and became incorporated through an act of the Provincial Legislature, the Vancouver Foundation Act (the Act), 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 (GAAP)

(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 Consolidated Trust Funds hold 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 Consolidated Trust Funds' resources is reported in the Consolidated Trust Funds and, at the discretion of the Board, is either retained in the Consolidated Trust Funds or transferred to the Distribution and Administration Funds.

(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, 2010

2. Significant accounting policies (continued):

(a) Fund accounting (continued):

(iii) Distribution and Administration Funds:

The Distribution and Administration Funds represents resources authorized and allocated for grants and distributions. These are held in fixed income investments, equities, cash and other short term notes 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 Consolidated Trust Funds and Other Trust Funds to fund grant distributions, investment management and custodial fees and administrative expenses in the Distribution and Administration Funds.

(b) Investments:

Investments are recorded at fair values determined, on a trade date basis, 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.

I.T. software conversion costs are capitalized until the technology is in use, at which time they are amortized straight-line over its estimated useful life.

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 term of the lease

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

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 Support Fund with contributions of \$10,000,000 from the Province of British Columbia. The contributions of \$40,000,000 were invested in the Consolidated Trust Funds. In 2008, Vancouver Foundation established the Endowment 150 Fund with a contribution of \$4,500,000 from the Province of British Columbia. The contribution of \$4,500,000 was invested in Vancouver Foundation's Consolidated Trust Funds. 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.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

2. Significant accounting policies (continued):

(f) Revenue recognition:

Contributions are recognized when they are received.

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.

(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, accounts 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 and accounts receivable are 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, accounts 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.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

2. Significant accounting policies (continued):

(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.

3. Changes in accounting framework and accounting policies:

The Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board (AcSB) has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on January 1, 2012, not-for-profit organizations will be required to choose between International Financial Reporting Standards (IFRSs) and Accounting Standards for Not for Profit Organizations. Early adoption of these standards is permitted. The Foundation plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning January 1, 2012, however the impact of this transition has not yet been determined.

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, 2010

4. Investments (continued):

(a) Consolidated Trust Funds:

	Within 1 year	1 - 5 years	Over 5 years	No specific maturity	2010		2009		
					Total fair value	Cost	Total fair value	Cost	
Common shares and convertible securities:									
Canadian equities	\$ -	\$ -	\$ -	\$ 31,186,334	\$ 31,186,334	\$ 28,174,408	\$ 64,953,080	\$ 54,039,766	
Canadian pooled funds				137,786,693	137,786,693	119,097,509	85,627,516	84,793,481	
Total Canadian equities	-	-	-	168,973,027	168,973,027	147,271,917	150,580,596	138,833,247	
International equities	-	-	-	-	-	-	-	-	
International pooled funds	-	-	-	243,785,854	243,785,854	213,608,213	227,838,895	206,106,227	
Total International equities	-	-	-	243,785,854	243,785,854	213,608,213	227,838,895	206,106,227	
Total equities (note 4(a)(i))	-	-	-	412,758,881	412,758,881	360,880,130	378,419,491	344,939,474	
Bonds and debentures (note 4(a)(ii)):									
Government of Canada	-	-	7,679,862	-	7,679,862	7,485,869	12,104,611	12,295,867	
Canadian provincial, municipal and public authorities	-	-	34,019,766	-	34,019,766	32,293,547	40,004,782	39,728,004	
Canadian corporate	-	-	-	-	-	-	2,673,476	2,648,570	
US Treasury	-	-	706,927	-	706,927	712,818	-	-	
Bank certificates	-	-	-	-	-	-	197,660	190,000	
Pooled bond funds	-	-	-	169,360,950	169,360,950	169,143,891	163,549,704	162,661,335	
High interest savings accounts	-	-	-	-	-	-	200,000	200,000	
Total bonds and debentures	-	-	42,406,555	169,360,950	211,767,505	209,636,125	218,730,233	217,723,776	
Weighted average yield to maturity of bonds and debentures									
	-	2.41%	4.05%	-	-	-	-	-	
Mortgages (note 4(a)(iii)):									
Direct mortgages	5,100,000	-	-	-	5,100,000	5,100,000	13,900,000	13,900,000	
Pooled mortgage funds	-	-	-	32,269,075	32,269,075	32,453,660	22,382,880	23,130,811	
	5,100,000	-	-	32,269,075	37,369,075	37,553,660	36,282,880	37,030,811	
Real estate (note 4(a)(iv)):									
Pooled real estate funds	-	-	-	26,978,267	26,978,267	21,390,291	35,017,394	30,286,481	
Total mortgages and real estate	5,100,000	-	-	59,247,342	64,347,342	58,943,951	71,300,274	67,317,292	
Total investments	\$5,100,000	\$ -	\$42,406,555	\$641,367,173	\$688,873,728	\$629,460,206	\$668,449,998	\$629,980,542	

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

4. Investments (continued):

(a) Consolidated Trust Funds (continued):

(i) Equities are valued using published market quotations.

The Foundation manages its equity market risk by allocating its equities component across seven investment managers, with differing investment styles and mandates, none of which manages in excess of 22.3% of the equities component (2009 - 23.1%). Approximately 41.1% (2009 - 39.7%) of the Foundation's equity holdings are invested in Canadian equities by five managers and 58.9% (2009 - 60.3%) are invested in foreign equities by four managers as follows:

	2010	2009
Canadian:		
Financial services	5%	15%
Oil and gas	5	9
Industrial products	4	5
Utilities	2	1
Metals and minerals	1	2
Transportation and environmental services	1	3
Other sectors	1	8
Pooled equity funds	81	57
	100%	100.0%
Foreign:		
Pooled equity funds	100%	100%
	100%	100%

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

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 6.5% of the respective manager's total equity portfolio.

The manager of the largest foreign pooled equity fund (approximately 37.9% of total foreign pooled equity funds) invests in large multinationals that generally have a minimum of USD\$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, are valued at fair value, and are due to mature by August 31, 2011.

(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:

	2010		2009	
	Fair value	Cost	Fair value	Cost
Common shares and convertible securities	\$ 4,749,803	\$ 4,385,840	\$ 4,056,458	\$ 4,330,489
Bonds and debentures	2,884,701	2,799,633	2,646,318	2,687,561
Mortgages, real estate and other assets	71,000	71,000	71,000	71,000
Total investments	\$ 7,705,504	\$ 7,256,473	\$ 6,773,776	\$ 7,089,050

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

4. Investments (continued):

(c) Distribution and Administration Funds:

	Weighted average term to maturity (years)	Yield	2010	
			Fair value	Cost
Common shares			\$ 1,021,501	\$ 1,122,850
Long Cash Fund:	0.80	1.60%		
Federal			2,415,087	2,416,831
Provincial			1,963,033	1,964,450
Corporate			1,814,412	1,815,722
Short Term Bond and Mortgage Fund	2.60	2.52%		
Federal			2,343,197	2,356,207
Provincial			1,289,378	1,296,537
Corporate			5,616,233	5,647,417
Cash			1,438,152	1,446,138
Mortgages			1,710,906	1,720,405
Total investments			\$ 19,611,899	\$ 19,786,557

	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

5. Cash and cash equivalents:

	2010	2009
Cash	\$ 17,713,917	\$ 14,771,135
Short-term notes	6,189,105	8,101,403
Pooled Money Market Funds	7,239,889	5,498,027
	\$ 31,142,911	\$ 28,370,565

Short-term notes have a weighted average term to maturity of 44 days (2009 - 29 days) and a weighted average interest rate of 1.18% (2009 - 0.25%).

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

6. Capital assets:

			2010	2009
	Cost	Accumulated depreciation	Net book value	Net book value
Computer and office equipment	\$ 667,217	\$ 595,747	\$ 71,470	\$ 173,012
Office furniture	189,106	70,670	118,436	72,815
Leasehold improvements	490,894	312,094	178,800	252,080
I.T. software conversion	509,850	-	509,850	-
	\$ 1,857,067	\$ 978,511	\$ 878,556	\$ 497,907

Amortization expense for the year ended December 31, 2010 is \$145,240 (2009 - \$173,437). Additions to capital assets for the year ended December 31, 2010 totaled \$525,889 (2009 - \$22,903).

7. British Columbia Unclaimed Property Society:

(a) A summary of British Columbia Unclaimed Property Society's financial statements at December 31, 2010 is as follows:

Balance Sheet	2010	2009
Investments	\$ 12,007,184	\$ 11,993,825
Cash and cash equivalents	2,886,084	1,752,995
Other receivables	7,422	8,263
Prepaid expenses	3,216	3,769
	14,903,906	13,758,852
Capital assets	10,180	12,982
	\$ 14,914,086	\$ 13,771,834
Accounts payable and accrued liabilities	\$ 28,759	\$ 28,987
Old unclaimed property funds (note 7(b))	1,058,545	1,098,554
New unclaimed property funds	12,411,229	11,392,821
	13,469,774	12,491,375
Fund balance	1,415,553	1,251,472
	\$ 14,914,086	\$ 13,771,834

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

7. British Columbia Unclaimed Property Society (continued):

(a) Continued:

Statement of Operations	2010	2009
Revenue	\$ 576,031	\$ 342,214
Expenses (note 7(c))	(411,950)	(443,960)
Excess of revenue over expenses	164,081	(101,746)
Fund balance, beginning of year	1,251,472	1,353,218
Fund balance, end of year	\$ 1,415,553	\$ 1,251,472

Statement of Cash Flows	2010	2009
Cash flows from operating activities	\$ 1,133,089	\$ (1,117,818)
Cash flows related to investing activities	\$ -	\$ (1,761)

(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, 2010, the balance of these unclaimed funds is \$1,058,545 (2009 - \$1,098,554).

(c) The Foundation subleases office space to the Society, in respect of which it charged the Society \$ 27,376 (2009 - \$28,509) for the year ended December 31, 2010.

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, 2010 was \$ 50,000 (2009 - \$50,000).

During 2010, the Society paid \$20,000 (2009 - \$24,000) to Vancouver Foundation for communications consulting fees.

(d) As provided for in the Administration Agreement, during 2010, the Society transferred, from new unclaimed property funds held by it, \$1,500,000 (2009 - \$4,000,000) to the Foundation for its charitable purposes, which is included in contributions to the Distribution and Administration Funds. The Board of Directors of the Society has also approved an additional transfer of \$2,100,000 to the Foundation for its charitable purposes in 2011.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

8. Giving in Action Society:

(a) Summary of Giving in Action's financial statements at December 31, 2010 is as follows:

Balance Sheet	2010	2009
Cash	\$ 590,562	\$ 1,406,663
Receivables	6,868	8,859
Capital assets	3,972	5,232
	\$ 601,402	\$ 1,420,754
Accounts payable and accrued liabilities	\$ 7,635	\$ 6,235
Fund balance	593,767	1,414,519
	\$ 601,402	\$ 1,420,754

Statement of Operations	2010	2009
Revenue (note 8(b))	\$ 4,673,506	\$ 8,235,865
Grants	(5,204,275)	(7,509,206)
Expenses (note 8(c))	(289,983)	(380,127)
Excess (deficiency) of revenue over expenses	(820,752)	346,532
Fund balance, beginning of year	1,414,519	1,067,987
Fund balance, end of year	\$ 593,767	\$ 1,414,519

(b) The Foundation contributed \$4,667,827 (2009 - \$8,229,853) to the Society for the year ended December 31, 2010 of which \$4,250,000 (2009 - \$2,190,530) is included in distribution of capital from the Consolidated Trust Funds. The remaining \$417,827 (2009 - \$6,039,323) is included in grant distributions from the Distribution and Administration Funds.

(c) The Foundation subleases office space to the Society, in respect of which it charged the Society \$28,236 (2009 - \$28,623) for the year ended December 31, 2010.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

9. Commitments:

(a) Grants:

In addition to the amounts presented under "Funds pending distribution", the Foundation has committed to grants totaling nil (2009 - \$579,889) 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:

2011	\$ 639,219
2012	639,218
2013	159,805
2014	-
2015	-
	<hr/>
	\$ 1,438,242

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 Statement, which is approved by the Board of Directors, which 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.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

10. Financial risk management (continued):

(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, 2010, the Foundation's credit exposures were as follows:

	Percentage of market value of total fixed income portfolio
AAA rated securities	28%
AA	37%
A	19%
BBB	9%
BB	1%
B	1%
Mortgages / Unrated	5%

The Foundation's exposure to and management of credit risk has not changed materially since December 31, 2009.

(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, 2009.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

10. Financial risk management (continued):

(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. Total exposure to foreign equities as at December 31, 2010 was \$243,785,854 (59.1% of total equities portfolio). The most significant exposure to currency risk is \$151,418,500 (22.0% of the total investments) denominated in US dollars.

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. 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.

A hypothetical 10 percent weakening (strengthening) of the Canadian dollar against the US dollar at December 31, 2010 would have increased (decreased) net assets and investment income for the year by \$15.1 million. This analysis assumes that all other variables, in particular interest rates, remained constant.

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

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, 2010, the Foundation's bond portfolio had an average duration of 6.5 years. Therefore, if bond yields increased (decreased) by 1.0%, the bond portfolio would decrease (increase) in value by approximately \$13.7 million or 6.5%. 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 Funds 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 distributions of capital of \$204,568 in 2010 (2009 - \$5,432,881).

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

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)

The following is a summary of the inputs used as of December 31, 2010 in valuing the respective investments carried at fair values:

Consolidated Trust Funds

	Level 1	Level 2	Level 3	Total
Common shares and convertible securities	\$ 30,860,323	\$ 381,898,558	\$ -	\$ 412,758,881
Bonds and debentures	-	211,767,505	-	211,767,505
Mortgages and real estate	-	25,282,912	39,064,430	64,347,342
	\$ 30,860,323	\$ 618,948,975	\$ 39,064,430	\$ 688,873,728

Other Trust Funds

	Level 1	Level 2	Level 3	Total
Common shares and convertible securities	\$ 142,192	\$ 4,607,611	\$ -	\$ 4,749,803
Bonds and debentures	119,924	2,764,777	-	2,884,701
Mortgages and real estate	-	-	71,000	71,000
	\$ 262,116	\$ 7,372,388	\$ 71,000	\$ 7,705,504

Distribution and Administration Funds

	Level 1	Level 2	Level 3	Total
Common shares and convertible securities	\$ 1,021,500	\$ -	\$ 1	\$ 1,021,501
Bonds and debentures	-	18,590,398	-	18,590,398
Mortgages and real estate	-	-	-	-
	\$ 1,021,500	\$ 18,590,398	\$ 1	\$ 19,611,899

VANCOUVER FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

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

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 Funds	Total
Opening balance	\$ 63,268,644	\$ 71,000	\$ 100,000	\$ 63,439,644
Purchases (disposals)	(24,204,214)	-	-	(24,204,214)
Gains (losses)	-	-	(99,999)	(99,999)
Closing balance	\$ 39,064,430	\$ 71,000	\$ 1	\$ 39,135,431