Non-Consolidated Financial Statements of

VANCOUVER FOUNDATION

Years ended December 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Directors of Vancouver Foundation

We have audited the accompanying non-consolidated financial statements of Vancouver Foundation, which comprise the non-consolidated statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the non-consolidated statements of operations and changes in fund balances, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of non-consolidated 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 non-consolidated financial statements based on our audits. We conducted our audits 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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated 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 non-consolidated 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 non-consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of Vancouver Foundation as at December 31, 2012, December 31, 2011 and January 1, 2011 and its non-consolidated results of operations and changes in fund balances, changes in net assets and cash flow for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

KPMG LLP

Chartered Accountants

April 10, 2013
Vancouver, Canada

VANCOUVER FOUNDATION

Non-Consolidated Statement of Financial Position

As at December 31, 2012

	Restricted		Unrestricted	Total
	Consolidated Trust Funds	Other Trust Funds		December 31, 2012

Assets

Current assets:				
Cash and cash equivalents (note 5)	$ 58,064,134	$ 606,336	$ 2,608,745	$ 61,279,215
Accounts receivable	488,325	712,577	674,394	1,875,296
Short-term investments (note 6)	12,939,723	-	-	12,939,723
Total current assets	71,492,182	1,318,913	3,283,139	76,094,234
Investment portfolio (note 4):				
Common shares and convertible securities	458,880,915	8,207,331	-	467,088,246
Bonds and debentures	172,652,404	4,503,081	-	177,155,485
Mortgages and real estate	88,903,281	71,000	-	88,974,281
Accrued investment income receivable	1,194,195	-	-	1,194,195
	721,630,795	12,781,412	-	734,412,207
Long-term investments (note 7)	2,094,436	1,853,383	-	3,947,819
Capital assets (note 8)	-	-	505,098	505,098
Total assets	$ 795,217,413	$ 15,953,708	$ 3,788,237	$ 814,959,358

Liabilities

Current liabilities:				
Accounts payable and accrued liabilities	$ 1,581,204	$ -	$ 1,078,125	$ 2,659,329
Interfund payable (receivable)	(43,948)	(157,082)	201,030	-
	1,537,256	(157,082)	1,279,155	2,659,329
Net assets:				
Contributed principal	662,897,886	14,318,045	-	677,215,931
Retained returns from investments	130,782,271	1,792,745	2,003,984	134,579,000
Invested in capital assets	-	-	505,098	505,098
Total fund balances	793,680,157	16,110,790	2,509,082	812,300,029
Total liabilities and net assets	$ 795,217,413	$ 15,953,708	$ 3,788,237	$ 814,959,358

Commitments (note 13)

See accompanying notes to the non-consolidated financial statements.

Approved on behalf of the Board:

_______________ Director   _______________ Director

VANCOUVER FOUNDATION

Non-Consolidated Statement of Financial Position

As at December 31, 2011

	Restricted		Unrestricted	Total
	Consolidated Trust Funds	Other Trust Funds		December 31, 2011
Assets				
Current assets:				
Cash and cash equivalents (note 5)	$ 29,638,478	$ 436,272	$ 437,516	$ 30,512,266
Accounts receivable	-	-	370,166	370,166
Short-term investments (note 6)	11,272,461	-	-	11,272,461
Total current assets	40,910,939	436,272	807,682	42,154,893
Investment portfolio (note 4):				
Common shares and convertible securities	359,618,174	5,575,493	-	365,193,667
Bonds and debentures	243,954,266	3,773,194	-	247,727,460
Mortgages and real estate	90,422,781	71,000	-	90,493,781
Accrued investment income receivable	368,562	-	-	368,562
	694,363,783	9,419,687	-	703,783,470
Long-term investments (note 7)	-	1,789,806	-	1,789,806
Capital assets (note 8)	-	-	1,033,113	1,033,113
Total assets	$ 735,274,722	$ 11,645,765	$ 1,840,795	$ 748,761,282
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$ 1,047,159	$ -	$ 860,531	$ 1,907,690
Interfund payable (receivable)	4,090,474	576,531	(4,667,005)	-
	5,137,633	576,531	(3,806,474)	1,907,690
Net assets:				
Contributed principal	637,413,136	11,296,114	-	648,709,250
Retained returns (losses) from investments	92,723,953	(226,880)	4,614,156	97,111,229
Invested in capital assets	-	-	1,033,113	1,033,113
Total fund balances	730,137,089	11,069,234	5,647,269	746,853,592
Total liabilities and net assets	$ 735,274,722	$ 11,645,765	$ 1,840,795	$ 748,761,282

Commitments (note 13)

VANCOUVER FOUNDATION

Non-Consolidated Statement of Financial Position

As at January 1, 2011

	Restricted		Unrestricted	Total
	Consolidated Trust Funds	Other Trust Funds		January 1, 2011
Assets				
Current assets:				
Cash and cash equivalents (note 5)	$ 16,749,776	$ 185,364	$ 8,018,666	$ 24,953,806
Short-term investments (note 6)	6,189,105	-	-	6,189,105
Total current assets	22,938,881	185,364	8,018,666	31,142,911
Investment portfolio (note 4):				
Common shares and convertible securities	412,758,881	4,749,803	1,021,501	418,530,185
Bonds and debentures	211,767,505	2,884,701	18,590,398	233,242,604
Mortgages and real estate	64,347,342	71,000	-	64,418,342
Accrued investment income receivable	361,455	-	132,695	494,150
	689,235,183	7,705,504	19,744,594	716,685,281
Capital assets (note 8)	-	-	878,556	878,556
Total assets	$ 712,174,064	$ 7,890,868	$ 28,641,816	$ 748,706,748
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	$ -	$ -	$ 1,054,062	$ 1,054,062
Interfund payable (receivable)	8,346,995	23,973	(8,370,968)	-
	8,346,995	23,973	(7,316,906)	1,054,062
Net assets				
Contributed principal	619,617,175	7,299,113	99,999	627,016,287
Retained returns from investments	84,209,894	567,782	34,980,167	119,757,843
Invested in capital assets	-	-	878,556	878,556
Total fund balances	703,827,069	7,866,895	35,958,722	747,652,686
Total liabilities and net assets	$ 712,174,064	$ 7,890,868	$ 28,641,816	$ 748,706,748

Commitments (note 13)

See accompanying notes to financial statements.

VANCOUVER FOUNDATION

Non-Consolidated Statement of Operations and Changes in Fund Balances

Year ended December 31, 2012

	Restricted		Unrestricted	Total
	Consolidated Trust Funds	Other Trust Funds		2012
Revenue:				
Contributions:				
General	$ 46,765,117	$ 3,751,976	$ 2,949,038	$ 53,466,131
Government	1,564,428	-	500,000	2,064,428
Investment and interest income (loss)	65,749,673	1,055,287	960,981	67,765,941
Administration and investment management fees	(8,318,783)	(82,334)	8,401,117	-
Less investment management and custodian fees	-	-	(2,370,194)	(2,370,194)
	105,760,435	4,724,929	10,440,942	120,926,306
Expenses:				
Operating expenses:				
Administration (note 8)	-	-	3,752,554	3,752,554
Communications	-	-	648,107	648,107
Grant support	-	-	1,117,281	1,117,281
Donor services	-	-	920,472	920,472
	-	-	6,438,414	6,438,414
Other fund expenses	825,959	-	-	825,959
Foundation program expenses, net	-	886,614	-	886,614
	825,959	886,614	6,438,414	8,150,987
Excess of revenue over expenses before grants and distributions of capital	104,934,476	3,838,315	4,002,528	112,775,319
Grants	(36,925,065)	(162,097)	(6,747,720)	(43,834,882)
Distribution of capital from contributed principal and retained returns	(3,494,000)	-	-	(3,494,000)
	(40,419,065)	(162,097)	(6,747,720)	(47,328,882)
Excess (deficiency) of revenue over expenses	64,515,411	3,676,218	(2,745,192)	65,446,437
Fund balances, beginning of year	730,137,089	11,069,234	5,647,269	746,853,592
Reclassified fund balances	(972,343)	1,365,338	(392,995)	-
Fund balances, end of year	$ 793,680,157	$ 16,110,790	$ 2,509,082	$ 812,300,029

See accompanying notes to the non-consolidated financial statements.

VANCOUVER FOUNDATION

Non-Consolidated Statement of Operations and Changes in Fund Balances

Year ended December 31, 2011

	Restricted		Unrestricted	Total
	Consolidated Trust Funds	Other Trust Funds		2011
Revenue:				
Contributions:				
General	$ 25,020,180	$ 2,744,387	$ 8,228,227	$ 35,992,794
Government	1,692,133	-	2,500	1,694,633
Investment and interest income (loss)	11,481,627	(226,222)	806,198	12,061,603
Administration and investment management fees	(8,247,323)	(56,956)	8,304,279	-
Less investment management and custodian fees	-	-	(2,774,341)	(2,774,341)
	29,946,617	2,461,209	14,566,863	46,974,689
Expenses:				
Operating expenses:				
Administration	-	-	2,572,659	2,572,659
Communications	-	-	681,009	681,009
Grant support	-	-	1,262,387	1,262,387
Donor services	-	-	1,120,375	1,120,375
	-	-	5,636,430	5,636,430
Other fund expenses	473,679	-	-	473,679
Foundation program expenses, net	-	281,331	-	281,331
	473,679	281,331	5,636,430	6,391,440
Excess of revenue over expenses before grants and distributions of capital	29,472,938	2,179,878	8,930,433	40,583,249
Grants	(31,150,255)	(496,648)	(7,722,635)	(39,369,538)
Distribution of capital from contributed principal and retained returns	(2,012,805)	-	-	(2,012,805)
	(33,163,060)	(496,648)	(7,722,635)	(41,382,343)
Excess (deficiency) of revenue over expenses	(3,690,122)	1,683,230	1,207,798	(799,094)
Fund balances, beginning of year	735,345,320	7,867,895	4,439,471	747,652,686
Reclassified fund balances	(1,518,109)	1,518,109	-	-
Fund balances, end of year	$ 730,137,089	$ 11,069,234	$ 5,647,269	$ 746,853,592

See accompanying notes to the non-consolidated financial statements.

VANCOUVER FOUNDATION

Non-Consolidated Statements of Changes in Net Assets

Years ended December 31, 2012 and 2011

2012	Contributed principal	Retained returns from investments	Invested in capital assets	Total
Net assets, beginning of year	$ 648,709,250	$ 97,111,229	$ 1,033,113	$ 746,853,592
Excess (deficiency) of revenue over expense	38,779,914	27,663,760	(997,237)	65,446,437
Invested in capital assets	-	(469,222)	469,222	-
Reclassified fund balances	(256,763)	256,763	-	-
Transfers from contributed principal to retained returns	(15,079,209)	15,079,209	-	-
Recapitalized income	5,062,739	(5,062,739)	-	-
Net assets, end of year	$ 677,215,931	$ 134,579,000	$ 505,098	$ 812,300,029

2011	Contributed principal	Retained returns from investments	Invested in capital assets	Total
Net assets, beginning of year	$ 629,688,370	$ 117,085,760	$ 878,556	$ 747,652,686
Excess (deficiency) of revenue over expense	24,360,439	(25,024,573)	(134,960)	(799,094)
Invested in capital assets	-	(289,517)	289,517	-
Reclassified fund balances	10,531,109	(10,531,109)	-	-
Transfers from contributed principal to retained returns	(16,443,222)	16,443,222	-	-
Recapitalized income	572,554	(572,554)	-	-
Net assets, end of year	$ 648,709,250	$ 97,111,229	$ 1,033,113	$ 746,853,592

See accompanying notes to the non-consolidated financial statements.

VANCOUVER FOUNDATION

Non-Consolidated Statements of Cash Flows

Years ended December 31, 2012 and 2011

		2012		2011
Cash provided by (used in):				
Operations:				
Excess of revenue over expenses	$	65,446,437	$	(799,094)
Items not affecting cash:				
Investment gain		(67,765,941)		(12,061,603)
Amortization and write down of capital assets		997,237		134,960
		(1,322,267)		(12,725,737)
Changes in non-cash operating working capital:				
Accrued investment income receivable		(825,633)		125,588
Accounts receivable		(1,505,130)		(370,166)
Accounts payable and accrued liabilities		751,639		853,628
		(1,579,124)		609,050
Net cash from operations		(2,901,391)		(12,116,687)
Investing:				
Capital asset additions		(469,222)		(289,517)
Transfers from investments to cash		34,137,562		11,775,559
Net cash from investing		33,668,340		11,486,042
Increased (decrease) in cash and cash equivalents		30,766,949		(630,645)
Cash and cash equivalents, beginning of year		30,512,266		31,142,911
Cash and cash equivalents, end of year	$	61,279,215	$	30,512,266

See accompanying notes to the non-consolidated financial statements.

1. Purpose of the Organization:

Vancouver Foundation (the "Foundation") was established in 1943 and 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 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 by management on a non-consolidated basis in accordance with Canadian accounting standards for not-for-profit organizations. Details of controlled entities that have not been consolidated are provided in notes 9, 10, 11 and 12.

(a) Fund accounting:

In order to ensure observance of the limitations and restrictions placed on the Foundation's resources, the Foundation follows the restricted fund method of accounting for contributions. Accordingly, resources are classified for accounting and financial reporting purposes into funds. These funds are maintained in accordance with either the objectives specified by the donors or with directives issued by the Board of Directors (the "Board"). Certain interfund transfers may be necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. Transfers between the funds are recorded in the statement of changes in net assets.

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. These funds are externally restricted.

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 is either retained in the CTF, redeemed and/or granted in the year.

(*ii*) Other Trust Funds (the "OTF"):

The OTF holds resources over which the Foundation does not exercise discretionary investment control (including the Foundation's Investment Manager Program), and which are administered and distributed taking into consideration the recommendations from the fund holders. These funds are externally restricted.

Income earned on the OTF resources is reported in the OTF and is either retained in the OTF, redeemed and/or granted in the year.

(*iii*) Unrestricted Funds:

Unrestricted funds represent resources available for grants, distributions and operations. These funds are held in cash denominated in Canadian currency or are invested in capital assets.

2. Significant accounting policies (continued):

(b) Financial instruments:

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

(*i*) 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.

(*ii*) Investments:

Investments include all common shares, convertible securities, bonds, debentures, mortgages and real estate investments held in pooled funds. These investments are recorded at their fair values determined, on a settlement date basis, on the last business day of the fiscal period except for selected real estate and mortgage investments which are recorded at amortized cost $11,900,148 (December 31, 2011 - $9,113,545, January 1, 2011 - $5,100,000).

(*iii*) Short-term investments:

Short-term investments include short-term notes with terms to maturity greater than three months and less than one year at the date of acquisition.

(*iv*) Long-term investments:

Long-term investments are interest bearing deposits held with Canadian financial institutions for a term greater than one year.

Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a settlement-date basis. Transaction costs are expensed as incurred.

The financial assets and financial liabilities of the Foundation are classified and measured as follows:

Assets/liabilities	Measurement
Cash and cash equivalents	Fair value
Investments	Fair value
Short-term investments	Fair value
Long-term investments	Fair value
Accounts receivable	Amortized cost
Accrued investment income receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

For items carried at amortized cost, the fair value approximates the carrying value in the financial statements, due to the short term nature.

2. Significant accounting policies (continued):

(c) Capital assets:

Purchased assets are recorded at cost. Assets in use 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

(d) 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.

The financial statements of BCUPS are not consolidated in the Foundation's financial statements. Summary financial statements of BCUPS are included in note 9.

(*ii*) Giving in Action Society:

On May 16, 2006, the VF Building Communities Society ("VFBCS") was incorporated under the Society Act of the Province of British Columbia. On November 10, 2006, VFBCS changed its name to the Giving in Action Society ("GIA"). The purpose of the 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 for other charitable activities as determined by the directors of GIA. The Foundation has the ability to appoint the directors of GIA, and has been the only source of contributions for GIA.

In 2006, the Foundation established the Family Independence Fund and the Children and Youth with Special Needs Supports Fund. The Foundation contributes funds as necessary to GIA.

The financial statements of GIA are not consolidated in the financial statements of the Foundation. Summary financial statements of GIA are included in note 10.

2. Significant accounting policies (continued):

(d) Controlled entities (continued):

(*iii*) 3246915 Holdings Limited:

On April 5, 2011, ownership of 3246915 Holdings Limited was transferred to the Foundation as a result of an Estate gift. At the time of transfer, 3246915 Holdings Limited held a portfolio of investment securities. During 2011, this portfolio of securities was disposed of and proceeds were transferred to the CTF.

The financial results of 3246915 Holdings Limited are accounted for under the equity method. Summary financial statements of 3246915 Holdings Limited are included in note 11.

(*iv*) Friends of Vancouver Foundation:

On May 11, 2009, Friends of Vancouver Foundation was incorporated as a non-profit in the State of Washington to operate exclusively for the benefit of or to carry out the purposes of Vancouver Foundation. The power to appoint Board members to Friends of Vancouver Foundation rests with the board of directors of Vancouver Foundation. The Friends of Vancouver Foundation was created to allow Vancouver Foundation to facilitate US dollar contributions from donors and issue US tax receipts.

The financial statements of Friends of Vancouver Foundation are not consolidated in the financial statements of the Foundation. Summary financial statements of Friends of Vancouver Foundation are included in note 12.

(e) Revenue recognition:

Contributions are recognized when they are received or receivable, provided the amounts are measurable and collection is reasonably assured.

In the normal course of operations, the Foundation receives notification of pending Estate gifts. Estate gifts, including bequests, are recorded upon receipt of the donated assets. Bequests in a form other than cash or marketable securities are recorded at fair value at the time of receipt.

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.

Investment income earned on restricted funds is recognized as revenue of the applicable restricted fund in accordance with the terms of the restricted contribution.

(f) Grants:

Grants are recorded when paid by the Foundation.

(g) Donated services:

The Foundation relies on the time and expertise donated by many volunteers. The value of this time has not been reflected in these financial statements.

2. Significant accounting policies (continued):

(h) 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 non-consolidated financial statements are reasonable; however, actual results could differ from these estimates.

(i) Related party transactions:

Related party transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Details of related party transactions are disclosed in notes 9, 10, 11, and 12.

(j) Comparative information:

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

3. Adoption of the New Accounting Standards:

During the year ended December 31, 2012, the Foundation adopted the new Canadian accounting standards for not-for profit organizations (“ASNPOs”) issued by the Canadian Institute of Chartered Accountants (“CICA”). In accordance with Section 1501 of the CICA Handbook, “First-time adoption”, (“Section 1501”), the date of transition to ASNPOs is January 1, 2011 and the Foundation has presented an opening non-consolidated statement of financial position as at that date.

This opening non-consolidated statement of financial position is the starting point for the Foundations accounting under ASNPOs.

In its opening non-consolidated statement of financial position, under the recommendations of Section 1501, the Foundation:

- recognized all assets and liabilities the recognition of which is required by ASNPOs;
- did not recognize items as assets or liabilities if ASNPOs do not permit such recognition, and;
- applied ASNPOs in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 2 have been consistently applied to all years presented.

The adoption of ASNPOs has no impact on the previously reported non-consolidated statement of financial position as at December 31, 2011 or on the previously reported non-consolidated statements of operations, changes in fund balances, and cash flows for the year ended December 31, 2011. Consequently, a reconciliation of previously reported items to those reporting using ASNPOs has not been prepared.

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 changing market conditions. The Foundation manages the market risk associated with these changing conditions by establishing and monitoring asset allocation strategies and by diversifying investments within the various asset classes. Investments in foreign equities are exposed to currency risk due to fluctuations in foreign exchange rates. While 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 disclosed in note 14.

(a) Consolidated Trust Funds:

(*i*) Equities:

The Foundation manages its equity market risk by allocating its equities component of the Consolidated Trust Fund across nine investment managers, with differing investment styles and mandates, none of which manages in excess of 19.9% (December 31, 2011 - 19.3%; January 1, 2011 - 22.3%) of the equities component. Approximately 50.5% (December 31, 2011 - 40.7%; January 1, 2011 - 41.1%) of the Consolidated Trust Fund's equity holdings are invested in Canadian equities by five managers and 49.5% (December 31, 2011 - 59.3%; January 1, 2011 - 58.9%) are invested by four managers. Equities are valued using published market quotations.

(*ii*) Bonds:

The Foundation is invested in individual bonds, as well as pooled bond funds. The pooled bond funds invest in federal, provincial, municipal and corporate bonds with a minimum B credit rating. Bonds are valued using published market quotations.

(*iii*) Mortgages:

The direct mortgages are secured by real estate, were made at commercial rates and are valued at fair value as determined by the mortgage investment managers with the exception of the mortgages listed below, which are measured at amortized cost. All mortgages relate to properties located in Canada.

	December 31, 2012	December 31, 2011	January 31, 2011
BCMP Dorchester Hotel	$ 2,600,000	$ 2,600,000	$ 2,600,000
Central Mini Storage	2,500,000	2,500,000	2,500,000
Sutton Place	-	2,000,000	-
Total	$ 5,100,000	$ 7,100,000	$ 5,100,000

The mortgages noted in the table above are due to mature by August 31, 2014.

4. Investments (continued):

(a) Consolidated Trust Funds (continued):

(*iv*) Real estate:

Pooled real estate funds are valued quarterly by the real estate investment managers using a combination of internal and external appraisals to establish current market values with the exception to the investment below held at amortized cost. All real estate investments are in Canadian property.

	December 31, 2012	December 31, 2011	January 1, 2011
GPM Real Estate	$ 6,800,149	$ 2,013,545	$ -

5. Cash and cash equivalents:

	December 31, 2012	December 31, 2011	January 1, 2011
Cash	$ 53,397,661	$ 24,127,155	$ 17,713,917
Pooled Money Market Funds	7,881,554	6,385,111	7,239,889
	$ 61,279,215	$ 30,512,266	$ 24,953,806

6. Short-term investments:

Short-term investments have a weighted average term to maturity of 79 days (December 31, 2011 - 45 days; January 1, 2011 - 44 days) and a weighted average interest rate of 1.11% (December 31, 2011 - 1.01%; January 1, 2011 - 1.18%).

7. Long-term investments:

The long term investment in Consolidated Trust Funds, $2,094,436 (December 31, 2011 – nil; January 1, 2011 - nil), matures in 2.3 years and earns interest at a rate of 1.99% (December 31, 2011- nil; January 1, 2011 - nil)

The long term investment in Other Trust Funds, $1,853,383 (December 31, 2011 - $1,789,806; January 1, 2011 – nil), matures in five years and earns interest at a rate of 3.43% (December 31, 2011 - 3.44%; January 1, 2011 - nil).

8. Capital assets:

December 31, 2012	Cost	Accumulated depreciation and write down	Net book value
Computer and office equipment	$ 143,535	$ 64,707	$ 78,828
Office furniture	-	-	-
Leasehold improvements	-	-	-
IT software conversion	1,145,810	719,540	426,270
	$ 1,289,345	$ 784,247	$ 505,098

December 31, 2011	Cost	Accumulated depreciation and write down	Net book value
Computer and office equipment	$ 739,239	$ 638,972	$ 100,267
Office furniture	189,106	89,412	99,694
Leasehold improvements	499,273	388,376	110,897
IT software conversion	722,255	-	722,255
	$ 2,149,873	$ 1,116,760	$ 1,033,113

January 1, 2011	Cost	Accumulated depreciation and write down	Net book value
Computer and office equipment	$ 667,217	$ 595,747	$ 71,470
Office furniture	189,106	70,670	118,436
Leasehold improvements	490,894	312,094	178,800
IT software conversion	509,850	-	509,850
	$ 1,857,067	$ 978,511	$ 878,556

Additions to capital assets for the year ended December 31, 2012 totaled $469,222 (December 31, 2011 - $289,517; January 1, 2011 - $525,889). Amortization expense for the year ended December 31, 2012 totaled $277,697 (December 31, 2011 - $134,960). Write downs of capital assets for the year ended December 31, 2012 totaled $719,540 (December 31, 2011 - $0).

9. British Columbia Unclaimed Property Society:

(a) A summary of the financial statements of the British Columbia Unclaimed Property Society at December 31, 2012 and December 31, 2011 with comparatives for January 1, 2011 for the statement of financial position is as follows:

Statement of Financial Position	December 31, 2012	December 31, 2011	January 1, 2011
Investments	$ 2,248,896	$ 12,319,014	$ 12,007,184
Cash	19,129,018	5,767,266	2,886,084
Other receivable	16,260	4,150	7,422
Prepaid expenses	3,147	3,379	3,216
Capital Assets	71,143	62,704	10,180
	$ 21,468,464	$ 18,156,513	$ 14,914,086
Accounts payable and accrued liabilities	$ 28,887	$ 54,665	$ 28,759
Old unclaimed property funds (note 9(b))	380,950	715,967	1,058,545
New unclaimed property funds	19,434,126	15,565,575	12,411,229
Fund balance	1,624,501	1,820,306	1,415,553
	$ 21,468,464	$ 18,156,513	$ 14,914,086

Statement of Operations, years ended December 31:	2012	2011
Revenue	$ 357,245	$ 872,032
Expenses (note 9(c))	(553,050)	(467,279)
Excess (deficiency) of revenue over expenses	(195,805)	404,753
Fund balance, beginning of year	1,820,306	1,415,553
Fund balance, end of year	$ 1,624,501	$ 1,820,306

Statement of Cash Flows, years ended December 31:	2012	2011
Cash flows from operating activities	$ 3,615,460	$ 2,989,119
Cash flows related to investing activities	$ (7,133,830)	$ (107,937)

9. 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 one year's written notice to terminate the agreement. At December 31, 2012, the balance of these unused funds is $380,950 (December 31, 2011 - $715,967; January 1, 2011 - 1,058,545).

(c) The Foundation subleases office space to the Society, in respect of which it charged the Society $43,328 for the year ended December 31, 2012 (December 31, 2011 - $30,730).

In addition, the Society paid management services fees to the Foundation for financial, accounting, information technology, general management and other administrative services. The amount paid for such services for the year ended December 31, 2012 was $50,000 (December 31, 2011 - $50,000).

During 2012, the Society paid $24,000 (December 31, 2011 - $24,000) to Vancouver Foundation for communications consulting fees.

(d) As provided for in the Administration Agreement, during 2012, the Society transferred, from new unclaimed property funds held by it, $2,704,830 (December 31, 2011 - $2,100,000; January 1, 2011 - $1,500,000) to the Foundation for its charitable purposes, which is included in unrestricted contributions.

The Board of Directors of the Society has also approved an additional transfer of $3,400,000 to the Foundation for its charitable purposes in 2013.

(e) The Society has an outstanding payable to the Foundation of $nil (December 31, 2011- $11,458; January 1, 2011 - nil) as at December 31, 2012.

(f) The Foundation provides information technological support and administrative services to the Society, in respect of which it charged the Society $16,043 for the year ended December 31, 2012 (December 31, 2011 - $18,733).

10. Giving in Action Society:

(a) A summary of Giving in Action's financial statements at December 31, 2012 and December 31, 2011 with comparatives for January 1, 2011 for the statement of financial position is as follows:

Statement of Financial Position	December 31, 2012	December 31, 2011	January 1, 2011
Cash	$ 415,297	$ 251,880	$ 590,562
Accounts receivable	2,344	19,918	6,868
Capital assets	-	2,833	3,972
Related party receivable (note 10(g))	890,941	-	-
	$ 1,308,582	$ 274,631	$ 601,402
Accounts payable and accrued liabilities	$ 14,085	$ 33,825	$ 7,635
Fund balance	1,294,497	240,806	593,767
	$ 1,308,582	$ 274,631	$ 601,402

Statement of Operations, years ended December 31:	2012	2011
Revenue	$ 6,234,811	$ 4,562,263
Interest income	21,465	9,868
Grants	(4,880,514)	(4,616,078)
Expenses	(322,071)	(309,014)
Excess (deficiency) of revenue over expenses	1,053,691	(352,961)
Fund balance, beginning of year	240,806	593,767
Fund balance, end of year	$ 1,294,497	$ 240,806

Statement of Cash Flows, years ended December 31:	2012	2011
Excess (deficiency) of revenue over expense	$ 1,053,691	$ (352,961)
Adjustments for non-cash items:		
Amortization of capital assets	2,833	1,139
Net changes in non-cash working capital balances:		
Increase in accounts receivable	(873,367)	(13,050)
Increase (decrease) in accounts payable and accrued liabilities	(19,740)	26,190
Increase (decrease) in cash and cash equivalents	163,417	(338,682)
Cash and cash equivalents, beginning of year	251,880	590,562
Cash and cash equivalents, end of year	$ 415,297	$ 251,880

10. Giving in Action Society (continued):

(b) The Foundation contributed $6,234,811 to the Society for the year ended December 31, 2012 (December 31, 2011 - $4,562,263).

The Foundation charged the following expenses to the GIA Society:

		2012		2011
Rent	$	38,190	$	30,322
Communications		7,700		7,700
Management fee		50,000		-
Salaries		-		14,484
Office expenses		2,026		2,400
Total	$	97,916	$	54,906

(c) The Foundation has an outstanding payable to the Giving in Action Society of $890,941 (December 31, 2011 - nil; January 1, 2011 - nil) and receivable of $609 (December 31, 2011 - $3,879; January 1, 2011 - nil) as at December 31, 2012.

11. 3246915 Holdings Limited:

(a) A summary of 3246915 Holdings Limited's financial statement at December 31, 2012 and December 31, 2011, with comparatives for January 1, 2011 for the statement of financial position is as follows:

Statement of Financial Position		December 31, 2012		December 31, 2011		January 1, 2011
Cash	$	-	$	3,214	$	-
Advances to related parties		-		2,845		-
Income taxes receivable		-		157		-
	$	-	$	6,216	$	-
Accounts payable and accrued liabilities	$	-		6,000	$	-
Share capital		3,061		3,061		-
Deficit		(3,061)		(2,845)		-
	$	-	$	6,216	$	-

11. 3246915 Holdings Limited (continued):

Statement of Operations and Deficit, years ended December 31:	2012	2011
Dividend income	$ -	$ 11,529
Interest income	-	3,652
Income tax recovery	(33)	108
Donations	-	(1,814,960)
Investment management fees	-	(5,264)
Professional fees	-	(2,432)
Sundry expenses	(183)	(1,550)
Loss for the year	(216)	(1,808,917)
Retained earnings, beginning of year	(2,845)	1,817,916
Dividends	-	(12,000)
Deficit, end of year	$ (3,061)	$ (3,001)

12 Friends of Vancouver Foundation:

(a) A summary of the financial statements of Friends of Vancouver Foundation at December 31, 2012 is as follows:

Statement of Financial Position	December 31, 2012	December 31, 2011	January 1, 2011
Cash	$ 71	$ 51,283	$ (1)
	(71)	(51,283)	1

Statement of Operations, years ended December 31:	2012	2011
Contributions	$ 240	$ 57,300
Grants to Vancouver Foundation	(51,164)	(5,597)
Bank fee expense	(288)	(419)
Excess (deficiency) of revenue over expenses	$ (51,212)	$ 51,284

Statement of Cash Flows, years ended December 31:	2012	2011
Cash and cash equivalents, beginning of year	$ 51,283	$ (1)
Cash flows from operating activities	(51,212)	51,284
Cash and cash equivalents, end of year	$ 71	$ 51,283

12 Friends of Vancouver Foundation (continued):

(b) During 2012 Vancouver Foundation paid Friends of Vancouver Foundation nil (December 31, 2011 - $497) to fund bank fee expenses.

13. Commitments:

(a) Leases:

The minimum future office lease payments to the end of the lease term are as follows:

Year ended December 31:		
2013	$	562,575
2014		522,936
2015		538,067
2016		543,111
2017		558,242
Thereafter		1,267,393
	$	3,992,324

14. 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 and long-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.

The Foundation's exposure to and management of credit risk has not changed materially since December 31, 2011.

14. 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 a sufficient cash position to manage liquidity. The Foundation's exposure to and management of liquidity risk has not changed materially since December 31, 2011.

(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.

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.

(*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. 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.

14. Financial risk management (continued):

(d) Market risk (continued):

(*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.

15. Capital management:

The Foundation invests in accordance with the Vancouver Foundation Act (the “Act”).

Prior to 2008, the Act required that capital of 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 as determined at December 31, 2008 subject to the Board’s approval. During the year ended December 31, 2012, under this facility, the Board approved distributions of capital of $39,787 (December 31, 2011 - $102,318; January 1, 2011 - $204,568).

16. Subsequent events:

Subsequent to December 31, 2012, Vancouver Foundation received $2,500,000 in restricted contributions to the Consolidated Trust Funds for distribution to the Giving in Action Society.