



Grant Thornton

Financial Statements

Queen Elizabeth II Health Sciences Centre Foundation

March 31, 2011

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Independent auditor's report

To the members of
Queen Elizabeth II Health Sciences Centre Foundation

We have audited the accompanying financial statements of The Queen Elizabeth II Health Sciences Centre Foundation (the Foundation) which comprise the balance sheet as at March 31, 2011, the statements of revenue, expenses and fund balances and cash flows for the year then ended, and 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 acceptable 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.

Auditor's 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 the 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 the auditor's 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, the auditor considers internal control relevant to the Foundation'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 Foundation'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 qualified audit opinion.

Basis for qualified opinion

In common with many not-for-profit organizations, the Foundation reports revenue from special events and donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were unable to determine whether any adjustments for unrecorded revenue might be necessary to special events revenue, donations, excess of revenue over expenses, assets and fund balances.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Chartered Accountants

Halifax, Canada
June 16, 2011

Queen Elizabeth II Health Sciences Centre Foundation

Statement of revenue, expenses and fund balance

March 31

2011

2010

	Endowment fund	Designated fund	Undesignated fund	Total	Total
Revenue					
Annual giving	\$ 31,719	\$ 153,949	\$ 848,613	\$ 1,034,281	\$ 1,156,672
Planned giving	146,311	399,947	850,453	1,396,711	189,773
Major gifts	1,038	3,820,784	4,345	3,826,167	3,415,923
Fund development	7,637	1,340,627	20,498	1,368,762	1,081,917
Community initiatives	295	306,743	12,899	319,937	297,788
Special events, (note 8)	-	1,906,089	140,826	2,046,915	1,963,366
Gaming, net (note 9)	-	-	3,475,263	3,475,263	2,337,101
Investment income	1,822,175	-	836,681	2,658,856	4,147,651
	<u>2,009,175</u>	<u>7,928,139</u>	<u>6,189,578</u>	<u>16,126,892</u>	<u>14,590,191</u>
Expenses					
Fundraising					
Annual giving	-	748	371,117	371,865	324,153
Planned giving	-	-	165,534	165,534	161,424
Major gifts	-	-	290,997	290,997	297,268
Community initiatives	-	2,126	68,933	71,059	73,036
Special Events (note 8)	-	940,934	242,400	1,183,334	816,829
Investments	180,335	-	88,704	269,039	219,695
Administrative					
Administration	-	-	1,512,589	1,512,589	1,484,651
Public education	-	-	387,957	387,957	369,478
Donor recognition	-	-	154,386	154,386	140,110
	<u>180,335</u>	<u>943,808</u>	<u>3,282,617</u>	<u>4,406,760</u>	<u>3,886,044</u>
Excess of revenue over expenses	1,828,840	6,984,331	2,906,961	11,720,132	10,703,547
Fund balance, beginning of year	19,273,792	17,231,783	3,473,282	39,978,857	36,534,131
Fund disbursements (note 10)	(620,259)	(6,094,417)	(675,142)	(7,389,818)	(7,258,821)
Interfund transfers (note 11)	204,851	1,111,539	(1,316,390)	-	-
Fund balance, end of year	<u>\$ 20,687,224</u>	<u>\$ 19,233,236</u>	<u>\$ 4,388,711</u>	<u>\$ 44,309,171</u>	<u>\$ 39,978,857</u>

See accompanying notes to the financial statements.

Queen Elizabeth II Health Sciences Centre Foundation

Balance sheet

Year ended March 31 2011 2010

	Endowment fund	Designated fund	Undesignated fund	Total	Total
Assets					
Current					
Cash	\$ -	\$ 5,298,141	\$ 3,711,035	\$ 9,009,176	\$ 6,856,624
Cash held for lottery	-	-	3,094,933	3,094,933	2,912,368
Pledges receivable (note 3)	-	863,248	411,963	1,275,211	1,534,409
Receivables and other	3,237	204,955	299,227	507,419	403,010
Prepaid expenses	-	9,401	78,137	87,538	71,370
	<u>3,237</u>	<u>6,375,745</u>	<u>7,595,295</u>	<u>13,974,277</u>	<u>11,777,781</u>
Pledges receivable (note 3)	-	900,084	247,374	1,147,458	1,132,610
Investments, at market value (note 4)	20,690,654	12,207,245	-	32,897,899	30,584,415
Capital assets (note 5)	-	-	97,112	97,112	108,322
	<u>\$ 20,693,891</u>	<u>\$ 19,483,074</u>	<u>\$ 7,939,781</u>	<u>\$ 48,116,746</u>	<u>\$43,603,128</u>

Liabilities and fund balances

Liabilities

Current

Unearned revenue	\$ -	\$ 49,731	\$ 3,105,113	\$ 3,154,844	\$ 3,093,919
Payables and accruals	6,667	136,940	322,375	465,982	345,670
Payable to Queen Elizabeth II Health Sciences Centre	-	63,167	26,470	89,637	76,360
	<u>6,667</u>	<u>249,838</u>	<u>3,453,958</u>	<u>3,710,463</u>	<u>3,515,949</u>

Fund balances

Fund balance	<u>20,687,224</u>	<u>19,233,236</u>	<u>4,388,711</u>	<u>44,309,171</u>	<u>39,978,857</u>
Investment in capital assets (note 7)	-	-	97,112	97,112	108,322
	<u>\$ 20,693,891</u>	<u>\$ 19,483,074</u>	<u>\$ 7,939,781</u>	<u>\$ 48,116,746</u>	<u>\$43,603,128</u>

On behalf of the Board


Trustee

RUCE A. MARCHAND


Trustee

See accompanying notes to the financial statements.

Queen Elizabeth II Health Sciences Centre Foundation

Statement of cash flows

Year ended March 31 2011 2010

Increase (decrease) in cash

	2011	2010
Operating		
Excess of revenue over expenses	\$ 11,720,132	\$ 10,703,547
Fund disbursements	(7,389,818)	(7,258,821)
Realized income and gains on investments	(643,007)	(440,212)
Unrealized change in market value	<u>(1,790,717)</u>	<u>(3,407,070)</u>
	1,896,590	(402,556)
Changes in non-cash working capital		
Pledges and accounts receivable	139,941	1,092,659
Prepaid expenses	(16,168)	6,840
Unearned revenue	60,925	1,087,350
Payables and accruals	120,312	26,786
Payable to Queen Elizabeth II Health Sciences Centre	<u>13,277</u>	<u>26,957</u>
	<u>2,214,877</u>	<u>1,838,036</u>
Investing		
Net withdrawals from investments	120,240	2,737,630
Net change in cash held for lottery	<u>(182,565)</u>	<u>(1,164,269)</u>
	<u>(62,325)</u>	<u>1,573,361</u>
Net increase in cash	2,152,552	3,411,397
Cash		
Beginning of year	<u>6,856,624</u>	<u>3,445,227</u>
End of year	<u>\$ 9,009,176</u>	<u>\$ 6,856,624</u>

See accompanying notes to the financial statements.

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2011

1. Nature of operations

The Foundation is a Not-for-Profit Organization established to raise and receive funds to support patient care, education and research at the Queen Elizabeth II Health Sciences Centre. The Foundation is a registered trust under the Income Tax Act and as such is not subject to income tax.

2. Summary of significant accounting policies

Fund accounting

The Foundation follows the Restricted Fund method of accounting for donations.

The Designated Fund, representing amounts received from donors and special events, is to be used to provide grants toward expenditures for hospital programs, equipment needs and other payments as specified by the donor on the receipt of the contributions.

The Undesignated Fund represents amounts for which a specific purpose has not been identified by the donor and includes Funds which have been Internally Restricted by the Foundations' Board of Trustees to be used for specific purposes compatible with the objectives of the Foundation.

The Endowment Fund represents amounts received where the donor has specified that the resource contributed be permanently maintained, as well as amounts transferred as approved by the Board of Trustees to be held for endowment purposes. Investment income generated on endowments must be used on accordance with the various purposes established by the donor or the Board of Trustees. The Foundation has established an Endowment Management policy that limits the amount of income that may be expended in order to protect the purchasing power of the capital base of endowments while achieving stability in year-to-year spending.

Revenue recognition

Unrestricted donations are recognized as revenue of the Undesignated Fund when received. The gross amount of gaming revenue received for lottery ticket sales, net of any expenses incurred to date, is recorded as cash held for lottery and deferred revenue until the lottery draw occurs and the remaining expenses are paid.

Restricted donations are recognized as revenue of the Designated Fund. Donations are considered restricted when specifically restricted by the donor and when received for a specific campaign.

Contributions where the capital resource is to be maintained permanently are recognized as revenue of the Endowment Fund.

Pledges are recorded as receivables at the time they are pledged net of allowances for amounts not considered collectible.

Capital assets

Property and equipment is recorded at cost and amortized using the straight-line method over the estimated useful lives of the assets as follows:

Computer equipment	5 years
Office equipment and renovations	5 years
Leasehold improvements	5 years

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2011

2. Summary of significant accounting policies (continued)

Investments

Investments are carried at quoted market value. All investments are classified as held for trading and measured at fair value with changes in fair value recognized in net income in the period in which they arise.

All Undesignated and Designated investment income earned is recognized as revenue of the Undesignated Fund. Endowment Investment income is recognized as revenue of the Endowment Fund.

Investments are subject to interest, currency and credit risk. These risks are mitigated through the use of professional investment managers and appropriate asset, sector and geographic allocations.

Financial instruments

The Foundation's financial instruments consist of cash, cash held for lottery, pledges receivable, receivables and other, investments, payables and accruals and payable to Queen Elizabeth II Health Sciences Centre. All financial assets and liabilities are classified as either held for trading, receivables or liabilities. Financial assets classified as held for trading are measured at fair value with changes in fair value recognized in net income in the period in which they arise. The fair value of these financial instruments approximate their carrying value, unless otherwise noted. It is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from cash and payables. Pledges receivable include pledges for which collection is not guaranteed. The Foundation has adjusted pledges receivable to reflect the amount receivable based on the historical collection rate.

Use of estimates

In preparing the Foundation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Certain estimates, such as those related to the valuation of allowance for pledge receivables unfunded pension plan liabilities and the fair value of investments depend upon subjective or complex judgements about matters that may be uncertain. Actual results may differ from these estimates.

Donated materials and services

Donated materials and services are recorded in the financial statements when the fair value of these items can be reasonably estimated. The Foundation has recognized \$471,373 (2010 - \$147,432) as donated materials and services during the year. Donated materials included capital assets for the hospital such as equipment and furniture, as well as advertising, media coverage, and promotional items.

Cash

Cash in the bank is currently in an interest bearing account yielding interest at prime less 1.75% for closing daily balances.

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2011

3. Pledges receivable

Pledges receivable are recorded net of write-offs and allowances for amounts not considered collectable as follows:

	<u>2011</u>	<u>2010</u>
Pledges receivable	\$ 2,640,825	\$ 2,892,066
Allowances	<u>(218,156)</u>	<u>(225,047)</u>
Pledges receivable, net of allowances	<u>\$ 2,422,669</u>	<u>\$ 2,667,019</u>
Comprised of:		
Current portion	\$ 1,275,211	\$ 1,534,409
Long term	<u>1,147,458</u>	<u>1,132,610</u>
	<u>\$ 2,422,669</u>	<u>\$ 2,667,019</u>
Continuity of allowances:		
Balance, beginning of year	\$ 225,047	\$ 270,897
Write-off's	<u>(148,387)</u>	<u>(158,004)</u>
Increase in allowances	<u>141,496</u>	<u>112,154</u>
Balance, end of year	<u>\$ 218,156</u>	<u>\$ 225,047</u>

4. Investments, at market value

	<u>2011</u>	<u>2010</u>
Designated		
Cash and short term deposits	\$ 1,759,359	\$ 4,375,863
Bonds and debentures	5,556,244	4,279,134
Equities	<u>4,891,642</u>	<u>2,840,885</u>
	<u>12,207,245</u>	<u>11,495,882</u>
Endowment Fund		
Cash and short term deposits	1,707,358	1,591,712
Bonds and debentures	10,100,707	8,430,244
Equities	<u>8,882,589</u>	<u>9,066,577</u>
	<u>20,690,654</u>	<u>19,088,533</u>
	<u>\$ 32,897,899</u>	<u>\$ 30,584,415</u>

Bonds and debentures within the funds bear interest at rates ranging between 2.75% and 8.5% and have a term to maturity ranging from June 12, 2011 to January 31, 2044.

Two investment managers manage the Foundation's investment portfolios, and quarterly management fees are paid, in accordance with Investment Management Agreements. The quarterly fees are calculated using a decreasing sliding scale percentage (0.75% - 0.20%) based on market value. In 2011, the total investment management fee paid was \$123,324 (2010 - \$108,082).

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2011

5. Capital assets			<u>2011</u>	<u>2010</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net Book value</u>	<u>Net Book value</u>
Computer equipment	\$ 269,741	\$ 189,331	\$ 80,410	\$ 76,916
Office equipment	80,070	65,171	14,899	28,130
Leasehold Improvements	<u>29,143</u>	<u>27,340</u>	<u>1,803</u>	<u>3,276</u>
	<u>\$ 378,954</u>	<u>\$ 281,842</u>	<u>\$ 97,112</u>	<u>\$ 108,322</u>

6. Line of credit

To fund disbursements against pledges, the QEII Foundation has an authorized line of credit to the maximum of \$1,500,000. If the Foundation maintains a cash balance in the bank account of \$175,000, then the application fee, annual review fee, and monthly facility fees are waived. The line of credit accrues interest charges on overdraft balances at prime based on the average daily balance for the period. At March 31, 2011, the balance drawn down on this line of credit was \$Nil (2010 - \$Nil).

7. Investment in capital assets	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 108,322	\$ 161,611
Capital asset acquisitions	47,096	15,087
Amortization	<u>(58,306)</u>	<u>(68,376)</u>
	<u>\$ 97,112</u>	<u>\$ 108,322</u>

8. Special events	<u>2011</u>	<u>2010</u>
Revenue		
Weekend to End Breast Cancer	\$ -	\$ (18,601)
Comedy Cures	-	6,754
Research Dinner	296,398	364,418
Go for the Green	140,826	155,627
Bust a Move	<u>1,609,691</u>	<u>1,455,168</u>
	<u>2,046,915</u>	<u>1,963,366</u>
Expenses		
Research Dinner	185,985	239,081
Go for the Green	91,506	83,976
Bust a Move	754,948	297,154
General	<u>150,895</u>	<u>196,618</u>
	<u>1,183,334</u>	<u>816,829</u>
Excess of revenue over expenses from special events	<u>\$ 863,581</u>	<u>\$ 1,146,537</u>

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2011

8. Special events (continued) 2011 2010

Revenue and expense balances include gifts-in-kind in the following amounts:

Research Dinner	\$ 33,699	\$ 64,125
Go for the Green	37,800	25,187
Bust a Move	<u>257,995</u>	<u>17,560</u>
	<u>\$ 329,494</u>	<u>\$ 106,872</u>

9. Gaming 2011 2010

Revenue		
Grand a Week	\$ 102,901	\$ 100,640
Home Lottery	6,264,817	5,436,971
Lifestyles Lottery	<u>5,270,791</u>	<u>4,452,875</u>
	<u>11,638,509</u>	<u>9,990,486</u>
Expenses		
Grand a Week	53,108	53,108
Home Lottery	4,364,634	3,928,699
Lifestyles Lottery	3,737,686	3,671,146
Gaming Administration	<u>7,818</u>	<u>432</u>
	<u>8,163,246</u>	<u>7,653,385</u>
Excess of revenue over expenses from gaming	<u>\$ 3,475,263</u>	<u>\$ 2,337,101</u>

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2011

10. Fund disbursements

2011

2010

The following significant items were included as disbursements from the various funds.

Undesignated Fund

Queen Elizabeth II Health Sciences Centre capital priorities	\$ <u>675,142</u>	\$ <u>1,109,111</u>
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Designated Fund

Brachytherapy Unit	-	1,007,251
Atlantic Clinical Cancer Research Unit (ACCRU)	185,409	-
Atlantic PATH Research Project Funding	199,998	-
Bone Construction Technologies	-	210,494
Breast Cancer Research Grants	130,182	-
Hearts in Motion	125,000	170,000
Anchor Project	250,000	138,000
Community Health Teams	155,000	-
International Health Programs	279,882	-
Cardiac Catheterization Lab	-	150,000
Remote Presence Robot	242,042	250,000
Digital Echocardiography Network	-	214,595
Emergency and Trauma Centre Expansion	637,706	564,236
PET Project	171,640	-
Electrophysiology Laboratory	110,305	65,007
Radiation Wait Times Project	397,103	-
IWK Health Centre Foundation - Grants	768,494	527,433

Other disbursements	<u>2,441,656</u>	<u>2,304,236</u>
	<u>6,094,417</u>	<u>5,601,252</u>

Endowment Fund	<u>620,259</u>	<u>548,458</u>
	\$ <u>7,389,818</u>	\$ <u>7,258,821</u>

11. Interfund transfers

During the year, funds were transferred between the undesignated, designated, and Endowment Funds as follows:

	<u>Endowment</u>	<u>Designated</u>	<u>Undesignated</u>
Total interfund transfers	\$ <u>204,851</u>	\$ <u>1,111,539</u>	\$ <u>(1,316,390)</u>

Interfund transfers for the 2011 fiscal year, consisted of a transfer from the Undesignated Fund to the Designated Fund for completion of a major gift agreement and transfers from the Undesignated Fund to the Endowment Fund to honour a Capital Campaign pledge and to reclassify the Investment Stabilization Fund balance.

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2011

12. Employee pension plan benefits

The Foundation has an RRSP matching agreement with select employees employed prior to March 1, 2007. The Foundation will match an employee's RRSP contribution up to a maximum of 5% of the employee's salary.

The Foundation is a member of a Multi-Employer Plan administered by Nova Scotia Association of Health Organizations (NSAHO). The most recent actuarial evaluation was conducted at October 31st, 2010 and indicated a funding surplus. Existing employees that are enrolled in the RRSP matching agreement can choose to join the NSAHO Pension Plan or stay with the original Plan. New employees, after March 1, 2007, must join the NSAHO Pension Plan.

During 2009, the Foundation established an unfunded Supplemental Pension Plan arrangement also administered by NSAHO, the costs of which are recognized in the current year.

The total cost for these Plans recognized in the current year is \$179,885 (2010 - \$206,955).

13. Capital risk management

The Foundation's capital is comprised of Endowment, Designated and Undesignated Fund balances. The Foundation's objectives when managing capital are to ensure that Funds received are appropriately allocated based upon their intended purpose and that cash and investments are managed to ensure the financial obligations and objectives of the respective Funds are met. Investments are currently managed by two professional investment managers under the direction of an Investment Committee.

14. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the fiscal 2011.