

Financial Statements of

**QUEEN ALEXANDRA
FOUNDATION FOR CHILDREN**

Year ended March 31, 2012



KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Fax (250) 480-3539
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Queen Alexandra Foundation for Children

Report on the Financial Statements

We have audited the accompanying financial statements of Queen Alexandra Foundation for Children, which comprise the statement of financial position as at March 31, 2012, the statements of operations and changes in fund balances 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 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 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 Queen Alexandra Foundation for Children as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles applied by the Queen Alexandra Foundation for Children in preparing and presenting the financial statements in accordance with Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants
June 21, 2012
Victoria, Canada

QUEEN ALEXANDRA FOUNDATION FOR CHILDREN

Statement of Financial Position

March 31, 2012, with comparative information for 2011

	General Fund	Restricted Funds	Endowment Fund	2012	2011
Assets					
Current assets:					
Cash	\$ 206,853	\$ 214,562	\$ -	\$ 421,415	\$ 334,934
Accounts receivable	376,086	6,554	-	382,640	108,635
Prepaid expenses	11,932	7,265	-	19,197	19,495
	594,871	228,381	-	823,252	463,064
Investments (note 2)	25,146,385	10,166,661	97,495	35,410,541	37,827,428
Capital assets (note 3)	803,730	9,296,035	-	10,099,765	8,030,171
	\$ 26,544,986	\$ 19,691,077	\$ 97,495	\$ 46,333,558	\$ 46,320,663
Liabilities					
Current liabilities:					
Payable to Vancouver Island Health Authority – Child, Youth and Family Health Services ("VIHA")	\$ 447,885	\$ -	\$ -	\$ 447,885	\$ 383,000
Accounts payable and accrued liabilities	305,797	126,949	-	432,746	481,520
Deferred revenue	5,130	28,104	-	33,234	-
	758,812	155,053	-	913,865	864,520
Deferred contributions	175,076	-	-	175,076	340,697
	933,888	155,053	-	1,088,941	1,205,217
Fund Balances					
Invested in capital assets	803,730	9,296,035	-	10,099,765	8,030,171
Unrestricted	24,807,368	-	-	24,807,368	25,674,676
Internally restricted	-	1,838,946	-	1,838,946	1,880,408
Externally restricted	-	8,401,043	-	8,401,043	9,432,696
Endowment	-	-	97,495	97,495	97,495
	24,807,368	10,239,989	97,495	35,144,852	37,085,275
Commitments (note 6)	\$ 26,544,986	\$ 19,691,077	\$ 97,495	\$ 46,333,558	\$ 46,320,663

See accompanying notes to financial statements.

Approved by the Board:

 Director

 Director

QUEEN ALEXANDRA FOUNDATION FOR CHILDREN

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2012, with comparative information for 2011

	General Fund	Restricted Funds	Endowment Fund	2012	2011
Revenue:					
Bequests and donations	\$ 1,054,135	\$ 1,561,614	\$ -	\$ 2,615,749	\$ 4,148,492
Investment income	1,026,655	66,464	-	1,093,119	1,241,759
Rentals and cost recovery	-	751,162	-	751,162	744,346
	2,080,790	2,379,240	-	4,460,030	6,134,597
Expenses:					
Grants and programs	747,041	1,118,288	-	1,865,329	1,668,593
Amortization of capital assets	19,508	472,208	-	491,716	470,327
Administration	472,331	-	-	472,331	740,707
Donor development	305,426	16,732	-	322,158	405,652
Investment counsel and management	188,098	-	-	188,098	177,293
Deferred equipment grants	173,461	-	-	173,461	332,667
	1,905,865	1,607,228	-	3,513,093	3,795,239
Excess of revenue over expenses	174,925	772,012	-	946,937	2,339,358
Fund balances, beginning of year	25,674,676	11,313,104	97,495	37,085,275	32,096,153
Changes in investment in capital assets	14,505	(2,084,098)	-	(2,069,593)	334,161
Unrealized (loss) gain on investment portfolio	(756,738)	(61,029)	-	(817,767)	2,315,603
Other interfund transfers	(300,000)	300,000	-	-	-
	\$ 24,807,368	\$ 10,239,989	\$ 97,495	\$ 35,144,852	\$ 37,085,275

See accompanying notes to financial statements.

QUEEN ALEXANDRA FOUNDATION FOR CHILDREN

Statement of Cash Flows

Year ended March 31, 2012, with comparative information for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 946,937	\$ 2,339,358
Add amortization which does not involve cash	491,716	470,327
Changes in non-cash operating working capital:		
Accounts receivable and prepaid expenses	(273,707)	(22,004)
Current liabilities	49,346	153,595
Deferred contributions	(165,621)	(243,979)
	<u>1,048,671</u>	<u>2,697,297</u>
Investing activities:		
Additions to capital assets	(2,561,310)	(136,168)
Net decrease (increase) in investment portfolio	2,416,887	(5,059,931)
Unrealized gain (loss) on investments	(817,767)	2,315,603
	<u>(962,190)</u>	<u>(2,880,496)</u>
Increase (decrease) in cash	86,481	(183,199)
Cash, beginning of year	334,934	518,133
Cash, end of year	<u>\$ 421,415</u>	<u>\$ 334,934</u>
Supplementary cash flow information:		
Cash received from dividends and interest	\$ 1,093,119	\$ 1,241,757

See accompanying notes to financial statements.

QUEEN ALEXANDRA FOUNDATION FOR CHILDREN

Notes to Financial Statements

Year ended March 31, 2012

Queen Alexandra Foundation for Children (the "Foundation") is a registered charity under the Income Tax Act and is incorporated under the Society Act (British Columbia). The primary purpose of the Foundation is to raise and invest funds in order to provide financial support for programs that assist children, youth and their families on Vancouver Island.

1. Significant accounting policies:

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles and include the following:

(a) Fund accounting:

The General Fund includes investment income, bequests, legacies and unspecified donations received for which there are no restrictions attached by the donor and restricted contributions for which there is no applicable restricted fund.

The Endowment Fund includes resources contributed for endowment. Investment income earned on the resources of the Endowment Fund is reported in the appropriate restricted funds.

The Restricted Funds include resources subject to restrictions by the donor and amounts internally restricted by the board of directors.

(i) GR Pearkes Child Development Fund:

This fund is administered by the Foundation and relates to externally restricted funds of the former GR Pearkes Foundation, which was merged with the Foundation.

(ii) Western Communities Centres Fund:

This fund has been established to receive externally restricted donations towards the Western Communities facilities and has been used primarily to fund the capital costs of the buildings. The fund includes \$2,000,000 received from the Province of British Columbia (the "Province"), subject to the facilities' continued use, for the project.

(iii) Jeneece Place Fund:

This fund was established to receive externally restricted donations for the construction and operation of Jeneece Place. The purpose of Jeneece Place is to provide a home away from home for families who have to travel to Victoria for medical care.

(iv) HerWay Home Fund:

This fund was established to receive externally restricted donations towards the creation of HerWay Home and is being used to fund the costs of this project.

QUEEN ALEXANDRA FOUNDATION FOR CHILDREN

Notes to Financial Statements

Year ended March 31, 2012

1. Significant accounting policies (continued):

(a) Fund accounting (continued):

(v) Special purpose funds:

The Foundation administers funds of special donors in Named Funds. The Named Funds include Lisa Huus and David Mason Scholarship funds, Women's Institute Fund, Lavender Fund, Maude Vantreight, Family First, Hoensen, Dr Hara and Jason Funds and Youth Enrichment Funds. These funds have restrictions by the donors that prescribe the allocation of the resources to specific programs, such as scholarships, child development and education.

Additionally, the Foundation has established the internally restricted Children's Research Initiatives Fund to support research projects which assist children, youth and their families.

(b) Financial instruments:

(i) The Foundation initially records all financial assets and liabilities at fair value.

- Cash is classified as held for trading, is measured at fair value and changes in fair value are recognized in the statement of operations.
- Investments are classified as available-for-sale and measured at fair value with changes in fair value recorded in the fund balance on the statement of operations and changes in fund balances until the financial instruments are sold or other than temporarily impaired at which time the amounts are recorded in the investment income in the statement of operations and changes in fund balances.
- Accounts receivable are measured at amortized cost using the effective interest rate method.
- Other liabilities which include the payable to VIHA and accounts payable and accrued liabilities, are recorded at amortized cost using the effective interest rate method.

The Foundation elected to defer applying the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3862, *Financial Instruments – Disclosures* and 3863, *Financial Instruments – Presentation*. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The Foundation has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

QUEEN ALEXANDRA FOUNDATION FOR CHILDREN

Notes to Financial Statements

Year ended March 31, 2012

1. Significant accounting policies (continued):

(c) Capital assets:

Land:

In 1996 the Foundation recorded the transfer of three parcels of land from the Queen Alexandra Centre for Children's Health (the "Centre"). Two of the parcels are leased to VIHA under restrictive use conditions at \$1 per year for 60 years. Accordingly, the value of these two parcels is nominal and was recorded at an amount of \$1. During 2009 the third parcel was sold. During 2009 the Foundation acquired a fourth parcel of land adjacent to the Centre site and recorded the acquisition at cost.

In 2011 the Foundation entered into an agreement with VIHA which grants a license of occupation of land for the purposes of constructing and operating Jeneece Place. The term of the agreement is for 60 years, subject to various conditions of use.

The remaining land is recorded at cost.

Buildings and equipment:

Buildings and equipment are recorded at cost. Assets are amortized over their estimated useful lives using the following methods and rates:

Asset	Basis	Rate
Buildings	straight-line	5%
Computer and office equipment	declining balance	20% to 100%
Equipment	straight-line	10%

(d) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Restricted contributions for scholarships and bursaries are recognized in the appropriate restricted fund. Contributions for endowment are recognized as revenue in the Endowment Fund when received or are receivable.

Investment income, which is required to be expended for restricted purposes, is recognized in the appropriate Restricted Fund. Unrestricted investment income is recognized as revenue of the General Fund. Unrealized gains or losses on available-for-sale investments are included in the applicable fund balance.

QUEEN ALEXANDRA FOUNDATION FOR CHILDREN

Notes to Financial Statements

Year ended March 31, 2012

1. Significant accounting policies (continued):

(d) Revenue recognition (continued):

Bequests, legacies and unspecified donations are recorded when received by the Foundation.

Rental revenue is recorded on a straight-line basis as rental services are provided to the tenant.

(e) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(f) Contributed services and materials:

Volunteers contributed time during the year to assist the Foundation in carrying out its activities. Because of the difficulty of determining their fair value, contributed services and materials are not recognized in the financial statements.

(g) Revisions to Not-for-Profit accounting standards:

The Foundation will be transitioning to the Accounting Standards for Not-for-Profit Organizations contained in Part III of the CICA Handbook-Accounting beginning April 1, 2012. While the financial statement presentation and the accounting treatment of most items will not change from current practice, there are certain transitional provisions that the Foundation will apply when preparing the first financial statements under the new accounting standards. The impact of these transitional provisions on the financial statements of the Foundation has not yet been fully determined.

2. Investments:

	2012	2011
Cash and money market securities	\$ 135,717	\$ 1,856,992
Fixed income funds	17,001,588	16,206,101
Canadian equity funds	12,609,582	14,161,305
Global and international equity funds	5,663,654	5,603,030
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	\$ 35,410,541	\$ 37,827,428

QUEEN ALEXANDRA FOUNDATION FOR CHILDREN

Notes to Financial Statements

Year ended March 31, 2012

3. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Western Communities properties:				
Sooke Child Youth and Family Centre:				
Land	\$ 120,000	\$ -	\$ 120,000	\$ 120,000
Building	2,151,822	861,011	1,290,811	1,398,402
Equipment	28,227	19,366	8,861	11,684
	2,300,049	880,377	1,419,672	1,530,086
West Shore Child Youth and Family Centre:				
Land	870,000	-	870,000	870,000
Building	6,432,836	2,146,267	4,286,569	4,608,211
Equipment	164,806	108,072	56,734	70,634
	7,467,642	2,254,339	5,213,303	5,548,845
Total Western Communities	9,767,691	3,134,716	6,632,975	7,078,931
Jeneece Place:				
Building	2,510,051	20,957	2,489,094	133,005
Equipment	176,915	2,949	173,966	-
	2,686,966	23,906	2,663,060	133,005
Total restricted funds	12,454,657	3,158,622	9,296,035	7,211,936
Gordon Head and Queen Alexandra Centre:				
Land	587,501	-	587,501	587,501
Buildings	278,277	74,413	203,864	217,778
Computer and office equipment	92,225	79,860	12,365	12,956
	958,003	154,273	803,730	818,235
	\$ 13,412,660	\$ 3,312,895	\$ 10,099,765	\$ 8,030,171

The Foundation owns real property in four areas of southern Vancouver Island. The two properties in Sooke and West Shore represent the results of a multi-year project to provide facilities for local community service agencies to deliver services to children, youth and their families in these communities. The Gordon Head properties represent the land and buildings of the Centre and properties adjacent to the Centre.

The construction of Jeneece Place was completed during the year in the Town of View Royal.

QUEEN ALEXANDRA FOUNDATION FOR CHILDREN

Notes to Financial Statements

Year ended March 31, 2012

4. Line of credit:

During the year, the Foundation cancelled a \$1,000,000 operating line of credit from TD Canada Trust. The line of credit was secured by a general security agreement. The line of credit was not used during the year.

5. Financial instruments:

(a) Fair value

The Foundation's investments are carried at fair value (note 2). The carrying values of cash, accounts receivable, payable to VIHA and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

(b) Foreign currency risk

The Foundation holds investments in equities outside of Canada which are subject to foreign exchange risk. At March 31, 2012, the Foundation held foreign investments with a fair value of \$5,663,654 (2011 - \$5,603,030).

(c) Interest rate risk

The Foundation's exposure to interest rate risk relates to its investments in fixed income funds. The fair value of these funds is directly impacted by changes in interest rates.

(d) Credit risk

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. For cash, investments and accounts receivable the Foundation's credit risk is limited to the carrying value on the statement of financial position.

The Foundation manages the risk associated with the concentration of credit risk through its policy of dealing with high credit quality financial institutions. Investments are managed by external advisors in accordance with the Foundation's Investment Policy specifying the required asset mix and minimum required credit ratings of investments within the portfolio.

QUEEN ALEXANDRA FOUNDATION FOR CHILDREN

Notes to Financial Statements

Year ended March 31, 2012

6. Commitments:

The Foundation is committed under property management agreements. Future minimum management fees under these agreements are as follows:

2013	\$	92,540
2014		34,140
2015		30,390
2016		1,595

The Foundation is committed to funding HerWay Home, a project with VIHA to support the life-long health of children as follows:

2013	\$	673,750
2014		735,000
2015		735,000
2016		465,500
2017		306,250
Thereafter		24,500

7. Capital management:

The Foundation receives its principal source of capital through investment income, bequests and donations. The Foundation defines capital to be fund balances.

The Foundation's objective when managing capital is to allow it to fund operations and meet the mandates of its donors. The Foundation manages the capital structure and makes adjustments based on available funding and economic conditions. Currently, the Foundation's strategy is to monitor expenses to preserve capital in accordance with budgeted revenues.

The Foundation is not subject to debt covenants or any other capital requirements with respect to operating funding. Revenues received for designated purposes must be used for the purpose designated by the donor. The Foundation has complied with the external restrictions on revenues provided.

QUEEN ALEXANDRA FOUNDATION FOR CHILDREN

Notes to Financial Statements

Year ended March 31, 2012

8. Employee pension plan:

The Foundation and its employees contribute to the Municipal Pension Plan (the "plan"), a jointly trusteesd pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 173,000 active members and approximately 63,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The Foundation paid \$30,629 (2011 - \$30,486) for employer contributions to the plan.

9. Comparative information:

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

QUEEN ALEXANDRA FOUNDATION FOR CHILDREN

Schedule of Operations and Changes in Fund Balances

Year ended March 31, 2012, with comparative information for 2011

	2012				2011			
	Total	General Fund	Restricted Funds	Endowment Fund	Total	General Fund	Restricted Funds	Endowment Fund
Revenue:								
Bequests and donations	\$ 2,615,749	\$ 1,054,135	\$ 1,561,614	\$ -	\$ 4,148,492	\$ 1,934,309	\$ 2,214,183	\$ -
Investment income	1,093,119	1,026,655	66,464	-	1,241,759	1,178,731	63,028	-
Rentals and cost recovery	751,162	-	751,162	-	744,346	-	744,346	-
	4,460,030	2,080,790	2,379,240	-	6,134,597	3,113,040	3,021,557	-
Expenses:								
Grants and programs	1,865,329	747,041	1,118,288	-	1,668,593	667,717	1,000,876	-
Amortization of capital assets	491,716	19,508	472,208	-	470,327	22,108	448,219	-
Administration	472,331	472,331	-	-	740,707	740,707	-	-
Donor development	322,158	305,426	16,732	-	405,652	347,736	57,916	-
Investment counsel and management	188,098	188,098	-	-	177,293	177,293	-	-
Deferred equipment grants	173,461	173,461	-	-	332,667	332,667	-	-
	3,513,093	1,905,865	1,607,228	-	3,795,239	2,288,228	1,507,011	-
Excess of revenue over expenses	946,937	174,925	772,012	-	2,339,358	824,812	1,514,546	-
Fund balances, beginning of year	37,085,275	25,674,676	11,313,104	97,495	32,096,153	22,713,984	9,284,674	97,495
Changes in investment in capital assets	(2,069,593)	14,505	(2,084,098)	-	334,161	19,743	314,418	-
Interfund transfer of unrealized losses	-	-	-	-	-	(147,763)	147,763	-
Unrealized (loss) gain on investment portfolio	(817,767)	(756,738)	(61,029)	-	2,315,603	2,262,186	53,417	-
Other interfund transfers	-	(300,000)	300,000	-	-	1,714	(1,714)	-
Fund balances, end of year	\$ 35,144,852	\$ 24,807,368	\$ 10,239,989	\$ 97,495	\$ 37,085,275	\$ 25,674,676	\$ 11,313,104	\$ 97,495

QUEEN ALEXANDRA FOUNDATION FOR CHILDREN

Schedule of Changes in Restricted and Endowment Fund Balances

Year ended March 31, 2012, with comparative information for 2011

	Balance beginning of year	Bequests and donations	Investment income allocation	Rentals and cost recovery	Grants and programs	Amortization	Donor development	Excess of revenue over expenses	Unrealized losses allocation	Transfer from General Fund	Invested in capital assets	Balance end of year
Restricted												
Internally restricted:												
Research initiatives	\$ 1,880,408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (41,462)	\$ -	\$ -	\$ 1,838,946
Externally restricted:												
GR Pearkes	6,253,558	24,896	-	-	(156,000)	-	-	(131,104)	-	-	-	6,122,454
Jeneece Place	1,667,795	1,533,576	32,829	8,034	(91,009)	(23,906)	(16,732)	1,442,792	-	300,000	(2,530,054)	880,533
Hara	264,858	-	7,681	-	-	-	-	7,681	-	-	-	272,539
Hoensen	252,321	-	7,289	-	-	-	-	7,289	-	-	-	259,610
Mason	213,275	-	6,134	-	(4,000)	-	-	2,134	(4,703)	-	-	210,706
HerWay Home	202,054	500	5,251	-	(75,482)	-	-	(69,731)	-	-	-	132,323
Western Communities	172,931	-	-	743,128	(780,797)	(448,302)	-	(485,971)	(3,813)	-	445,956	129,103
Lavender Trust	167,715	-	-	-	-	-	-	-	(4,194)	-	-	163,521
Huus	75,287	1,725	4,937	-	(5,000)	-	-	1,662	(3,810)	-	-	73,139
Vantreight	60,106	-	-	-	-	-	-	-	(961)	-	-	59,145
Family First	56,881	-	1,543	-	(4,000)	-	-	(2,457)	(1,254)	-	-	53,170
Women's Institute	25,238	-	657	-	(2,000)	-	-	(1,343)	(556)	-	-	23,339
Youth enrichment	16,130	-	-	-	-	-	-	-	(276)	-	-	15,854
Jason	4,547	917	143	-	-	-	-	1,060	-	-	-	5,607
	9,432,696	1,561,614	66,464	751,162	(1,118,288)	(472,208)	(16,732)	772,012	(19,567)	300,000	(2,084,098)	8,401,043
Total restricted	\$ 11,313,104	\$ 1,561,614	\$ 66,464	\$ 751,162	\$ (1,118,288)	\$ (472,208)	\$ (16,732)	\$ 772,012	\$ (61,029)	\$ 300,000	\$ (2,084,098)	\$ 10,239,989
Endowment												
Huus	\$ 97,495	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,495