



Financial Statements of

**ALBERTA CHILDREN'S
HOSPITAL FOUNDATION**

Year ended March 31, 2010



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AUDITORS' REPORT TO THE MEMBERS

We have audited the statement of financial position of the Operating, Restricted and Endowment Funds of the Alberta Children's Hospital Foundation (the "Foundation") as at March 31, 2010 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Calgary, Canada
May 19, 2010

ALBERTA CHILDREN'S HOSPITAL FOUNDATION

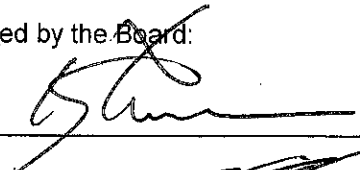
Statement of Financial Position

March 31, 2010, with comparative figures for 2009
(thousands of dollars)


	Operating Fund	Restricted Fund	Endowment Fund	Total	
				2010	2009
Assets					
Current assets:					
Cash	\$ 24,075	\$ -	\$ -	\$ 24,075	\$ 19,858
Accounts receivable and accrued interest	31	6	-	37	93
Prepaid expenses	148	-	-	148	160
	24,254	6	-	24,260	20,111
Investments (note 3)	6,218	7,445	73,370	87,033	72,373
Other assets (note 4)	71	-	-	71	-
Property and equipment (note 5)	126	-	-	126	143
	\$ 30,669	\$ 7,451	\$ 73,370	\$ 111,490	\$ 92,627
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,371	\$ -	\$ -	\$ 1,371	\$ 2,691
Due (from) to other Funds	18,630	(12,147)	(6,483)	-	-
	20,001	(12,147)	(6,483)	1,371	2,691
Fund balances:					
Externally restricted (note 6)	-	19,598	43,750	63,348	52,243
Internally restricted (note 7)	10,668	-	36,103	46,771	37,693
	10,668	19,598	79,853	110,119	89,936
Commitments (note 9)					
	\$ 30,669	\$ 7,451	\$ 73,370	\$ 111,490	\$ 92,627

See accompanying notes to financial statements.

Approved by the Board:



Director



Director

ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2010, with comparative figures for 2009
(thousands of dollars)

	Operating Fund	Restricted Fund	Endowment Fund	Total	
				2010	2009
Revenue:					
Fundraising (note 2)	\$ 5,534	\$ 10,645	\$ 1,544	\$ 17,723	\$ 22,565
Investment income (note 2)	1,499	—	1,041	2,540	330
	7,033	10,645	2,585	20,263	22,895
Expenses:					
Grants and hospital funding:					
Childhood Cancer Collaborative	—	130	—	130	174
Special projects	—	1,497	—	1,497	10,505
Hospital programs	382	1,619	70	2,071	2,519
Research	2,791	—	702	3,493	2,435
Capital equipment	71	480	—	551	3,765
Community grants	—	827	—	827	658
Education	87	—	—	87	170
Emerging needs	108	—	—	108	414
Other	2	162	8	172	147
	3,441	4,715	780	8,936	20,787
Operating	4,829	300	398	5,527	5,111
Excess (deficiency) of revenue over expenses					
	(1,237)	5,630	1,407	5,800	(3,003)
Fund balances, beginning of year	5,984	16,319	67,633	89,936	105,365
Interfund transfers (notes 6 and 7)	4,570	(3,545)	(1,025)	—	—
Change in unrealized gain (loss)	1,351	1,194	11,838	14,383	(12,426)
Fund balances, end of year	\$ 10,668	\$ 19,598	\$ 79,853	\$ 110,119	\$ 89,936

See accompanying notes to financial statements.

ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009
(thousands of dollars)

	2010	2009
Cash from (used in) operating activities:		
Excess (deficiency) of revenue over expenses	\$ 5,800	\$ (3,003)
Adjustments to reconcile to net cash used in operating activities:		
Endowment contributions	(1,544)	(2,093)
Amortization of property and equipment	51	42
Loss on disposition of property and equipment	-	1
Loss on sale of investments	721	3,217
	5,028	(1,836)
Changes in non-cash working capital:		
Accounts receivable and accrued interest	56	66
Prepaid expenses	12	(56)
Accounts payable and accrued liabilities	(1,320)	1,467
	3,776	(359)
Cash from (used in) investing activities:		
Purchase of investments (note 3)	(13,925)	(20,970)
Proceeds on sale of investments (note 3)	12,856	18,190
Purchase of property and equipment	(34)	(96)
	(1,103)	(2,876)
Cash from financing activities:		
Endowment contributions	1,544	2,093
Net increase (decrease) in cash	4,217	(1,142)
Cash, beginning of year	19,858	21,000
Cash, end of year	\$ 24,075	\$ 19,858
Supplemental cash flow information:		
Interest and dividends received	\$ 2,820	\$ 2,929

See accompanying notes to financial statements.

ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2010
(thousands of dollars)

General:

The Alberta Children's Hospital Foundation (the "Foundation") was incorporated under The Societies Act of the Province of Alberta to support excellence in pediatric health care, services, facilities, education and research in Southern Alberta primarily at the Alberta Children's Hospital.

The Foundation is a registered charitable organization and is income tax exempt under Section 149 of the Income Tax Act (Canada) subject to certain disbursement tests.

1. Significant accounting policies:

(a) Fund accounting:

Activities of the Foundation are segregated in the following funds:

- (i) The Operating Fund reports the Foundation's annual fundraising and administrative activities, and reports unrestricted resources. This fund uses the deferral method of accounting for contributions.
- (ii) The Restricted Fund reports amounts which are restricted externally by donors in support of child health programs, equipment, research and education.
- (iii) The Endowment Fund reports amounts which are restricted, either internally or externally, for endowment. The externally restricted fund balance represents contributions endowed by donors. Amounts specifically identified as endowments by donors are included in revenue and expenses of the Fund, and investment income earned is allocated in accordance with the Foundation's endowment policy, which is agreed to by the donors at the time the contribution is endowed. Amounts which are internally restricted are recorded in the Endowment Fund by way of interfund transfers. Internally restricted endowment funds are intended to exist in perpetuity with the annual investment return utilized towards the Foundation's annual funding commitments.

A statement of cash flows is not presented on a separate fund basis as this information is readily apparent from the reporting of separate funds' statements of financial position and operations and changes in fund balances.

ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 2

Year ended March 31, 2010
(thousands of dollars)

1. Significant accounting policies (continued):

(b) Financial Instruments:

The Foundation has classified each financial instrument into the following categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale, and other financial liabilities. Measurement of the financial instruments is based on their classification. Unrealized gains and losses on held-for-trading financial instruments are recognized in earnings. Unrealized gains and losses on available-for-sale financial assets are recognized in changes in fund balances. The other categories of financial instruments are recognized at amortized cost using the effective interest method.

The Foundation has classified cash as held-for-trading, accounts receivables and accrued interest as loans and receivables, and accounts payable and accrued liabilities as other liabilities.

Investments and other assets are classified as available-for-sale and recorded at fair value at year end as established by the bid price for trading on the recognized exchange on which the security is listed or principally traded and quoted price for fixed income securities. Any unrealized gains or losses are reflected in the Statement of Changes in Fund Balances, unless an unrealized loss is considered to be other than temporary, in which case it is recognized as an expense.

(c) Foreign currency:

All foreign currency denominated investments are translated into Canadian dollars at the rate of exchange in effect on the date of the Statement of Financial Position. Investment income from these securities is translated into Canadian dollars at the rate of exchange in effect when realized. Unrealized gains and losses on foreign currency denominated investments are translated into Canadian dollars at the rate of exchange in effect on the date of the Statement of Financial Position.

(d) Property and equipment:

Property and equipment are recorded at cost with amortization provided on a straight-line basis at 25% per annum.

(e) Revenue recognition:

The Foundation uses the restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. All restricted investment income earned is recognized as revenue of the appropriate restricted fund in which it is earned. All unrestricted investment income earned is recognized as revenue in the Operating Fund.

ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 3

Year ended March 31, 2010
(thousands of dollars)

1. Significant accounting policies (continued):

(f) Donations of materials and services:

Contributed materials and services that would otherwise be paid for by the Foundation are recorded at fair value when provided.

The work of the Foundation is dependent on the voluntary service of many individuals. As such services are not normally purchased by the Foundation, and because of the difficulty of determining their fair value, such donated services are not recognized in these financial statements.

(g) Due (from) to other funds:

At certain points in time, the Foundation may have amounts owed between certain funds. These interfund balances are non-interest bearing and have no fixed terms of repayment.

(h) Use of estimates:

The preparation of the financial statements in conformity with 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, valuation allowances for accounts receivables, accrued liabilities and valuation of investments. Actual results could differ from those estimates.

2. Change in accounting policies:

(a) Accounting policies adopted in the current year:

Effective April 1, 2009, the Foundation adopted the amendments to Section 4400 "Financial Statement Presentation by Not-for-Profit Organizations" issued by the Canadian Institute of Chartered Accountants ("CICA"). These amendments require the Foundation to present revenue and expenses on a gross basis when the Foundation is acting as a principal, eliminate the requirements to show net assets invested in property and equipment as a separate component of net assets and requires separate reporting of investing and financing activities in the statement of cash flows. Adoption of these amendments has reclassified the 2009 comparative figures. Specifically, Fundraising Revenue increased by \$3,299, Investment income increased by \$289 and Operating Expenses increased by \$3,588. Included in operating expenses are salaries and benefits for fund development employees in the amount of \$2,284 (2009 - \$1,940).

ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 4

Year ended March 31, 2010
(thousands of dollars)

2. Change in accounting policies (continued):

(a) Accounting policies adopted in the current year (continued):

Amendments to Section 1000 "Financial Statements Concepts" issued by the CICA clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no significant impact on the financial statements for the year ended March 31, 2010.

(b) Future accounting pronouncements:

The Accounting Standards Board ("AcSB") has recently issued an Exposure Draft for Not-for-Profit Organizations. The AcSB proposes that Not-for-Profit Organizations select one of the two following alternatives for financial reporting:

- The current Section 4400 "Financial Statement Presentation by Not-for-Profit Organizations" issued by CICA in conjunction with generally accepted principles for private enterprises, or
- International Financial Reporting Standards.

These available standards are applicable to fiscal years beginning on or after January 1, 2012. Current standards will continue to apply until the new standards are issued. Adoption of these new standards is being evaluated and the impact on future financial statements is not known or reasonably estimated at this time.

3. Investments:

The Foundation's investments are professionally managed, with fixed income and foreign equities, other than U.S. equities, managed as part of a pooled fund, and Canadian and U.S. equities managed on a segregated basis. The Foundation's Statement of Investment Policies and Procedures ensures its investment portfolio is managed with a primary emphasis on preservation and security of capital and a secondary emphasis on yield.

	Cash and short-term investments	Equities	Fixed Income	2010 Total	2009 Total
Balance, beginning of year	\$ 219	\$ 35,529	\$ 36,625	\$ 72,373	\$ 85,236
Sale of investments	(3,509)	(7,678)	(1,669)	(12,856)	(18,190)
Purchase of investments	4,055	9,039	831	13,925	20,970
Realized gain (loss) on sale	-	(858)	137	(721)	(3,217)
Change in unrealized gain (loss)	(3)	12,817	1,498	14,312	(12,426)
Balance, end of year	\$ 762	\$ 48,849	\$ 37,422	\$ 87,033	\$ 72,373

ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 5

Year ended March 31, 2010
(thousands of dollars)

3. Investments (continued):

Cash included in investments is held in short-term money market instruments and consequently was subject to recurring reinvestment resulting in \$4,055 of purchases and \$3,509 of sales. The loss on sales of short-term money market instruments is due to foreign exchange.

	2010	2009
Opening accumulated unrealized gains (losses)	\$ (14,575)	\$ (2,149)
Realized gains (losses) recognized in investment income	721	3,217
Unrealized gains (losses) in the year	13,591	(15,643)
Ending accumulated unrealized gains (losses)	\$ (263)	\$ (14,575)

As at March 31	2010		2009	
	Cost	Fair value	Cost	Fair value
Fixed income	\$ 34,768	\$ 37,422	\$ 35,469	\$ 36,625
Canadian equities	30,309	30,627	25,422	17,746
Foreign equities	21,460	18,222	25,843	17,783
Cash and short-term investments	759	762	214	219
	\$ 87,296	\$ 87,033	\$ 86,948	\$ 72,373

Fixed income instruments have rates of return ranging from 0.65% to 9.38% with maturity dates up to 2049.

(a) Foreign currency risk:

Foreign currency exposure arises from the Foundation's holdings of foreign equity securities. At March 31, 2010, total foreign equity holdings were 20.9% (2009 – 24.6%) of the Foundation's investments on a market-value basis.

(b) Credit risk:

Credit risk arises from the potential for an investee to fail or for a counter-party to default on its contractual obligations to the Foundation. Credit risk is managed by the Foundation's investment managers in accordance with the Foundation's Statement of Investment Policies and Procedures established by the Board of Directors.

(c) Interest rate risk:

Interest rate risk arises from the Foundation's holdings of fixed income securities. As interest rates fluctuate, the fair value of these securities will be impacted.

ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 6

Year ended March 31, 2010
(thousands of dollars)

4. Other assets:

	2010	2009
Cash surrender value of donated life insurance policies	\$ 71	\$ -
	\$ 71	\$ -

Donated life insurance policies are recorded at their cash surrender value; face value of the policies is \$112. Changes in cash surrender value are reflected in the Statement of Changes in Fund Balances.

5. Property and equipment:

As at March 31	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Office equipment	\$ 45	\$ 38	\$ 7	\$ 9
Computer hardware	133	77	56	68
Computer software	174	111	63	66
	\$ 352	\$ 226	\$ 126	\$ 143

6. Externally restricted net assets and interfund transfers:

During 2010, interfund transfers of externally restricted net assets occurred as a result of:

- \$24 of funds received in prior years in the Restricted Fund were unrestricted by donors in 2010 and transferred to the Operating Fund; and
- \$145 of funds received in prior years in the Restricted Fund were endowed by donors in 2010 and transferred to the Endowment Fund; and
- \$86 of investment income received in the donor restricted endowments were utilized to meet the funding commitments of the restricted fund at the approval of the donors; and
- \$4,302 of funds previously utilized to bridge donor funding were transferred from the Restricted Fund to the Operating Fund.

ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 7

Year ended March 31, 2010
(thousands of dollars)

7. Internally restricted net assets and interfund transfers:

- (a) The Foundation's funding commitments are sourced partly out of the investment income earned in any given year. Investment income is influenced by short-term market fluctuations and the timing on the realization of capital gains or losses upon the sale of investments. In order to ensure that the Foundation is able to meet its funding commitments, the Board of Directors has internally restricted funds that are to be utilized in a year when investment income is negatively impacted by market fluctuations and the timing of the sale of investments.

During 2010, \$62 (2009 - \$2,145) of these funds were utilized to meet the funding commitments of the Endowment Fund and \$306 utilized the previous year was restored.

- (b) At the end of each fiscal year, the Board of Directors may, at its discretion, internally restrict any excess revenue over expenses in the Operating Fund to support the projects and activities of the Endowment, Restricted or Operating Funds. In 2010, the Operating Fund generated a deficiency of revenue over expenses and, therefore, no internal restrictions were made. Internally restricted funds are not available for unrestricted purposes without prior approval of the Board of Directors.

During 2010, \$840 (2009 - \$95) of funds previously internally restricted in the Endowment Fund were transferred to the Restricted Fund to meet funding commitments.

8. Donations in kind:

During the year the Foundation received gifts in kind of goods and services totaling \$1,847 (2009 - \$1,366). Although these donations are an integral part of the Foundation's fundraising activities, the amounts related thereto are not reflected in the Statement of Operations as these goods and services would not otherwise be paid for by the Foundation. The Foundation also received \$174 (2009 - \$81) of donated goods and services it would otherwise have paid for, and accordingly, this amount is included in fundraising revenue in the Statement of Operations

ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 8

Year ended March 31, 2010
(thousands of dollars)

9. Commitments:

Commitments of funding to Alberta Health Services are:

- \$8,865 for the Childhood Cancer Initiative; and
- \$4,769 for the purchase of a 3T MRI.

The Foundation has approved, for the year ended March 31, 2011, a continuation of financial support:

- To the Alberta Children's Hospital in the amount of \$6,570 for annual programs and capital equipment.
- To the Alberta Children's Hospital Research Institute for Child and Maternal Health:
 - In the amount of \$2,325 available to the University of Calgary for approved chairs and professorships contingent on successful recruitment to the positions; and
 - In the amount of \$3,534 for child health research, with an annual commitment of \$2,500 extending to 2014.

10. Related parties:

The accounts payable to Alberta Health Services and the University of Calgary at year end are \$1,233 (2009 - \$2,540) and \$11 (2009 - \$nil), respectively. The Foundation leases office space at the Alberta Children's Hospital from Alberta Health Services for a nominal amount. The fair value of this rent has not been recorded in these financial statements.

During the year the Foundation paid, in the ordinary course of business, \$21 (2009 - \$110) to a legal firm of which a member of the Foundation's Board of Directors is a partner. No portion of the fees paid to the legal firm was in relation to work performed by the Board member.

11. Capital management:

The Foundation defines its capital as the amounts included in its Fund Balances. The Foundation's objective when managing its capital is to maintain a primary emphasis on preservation and security of capital and a secondary emphasis on inflation adjusted returns so that it can continue to provide funding for family centered child health programs, specialized life-saving equipment and advanced pediatric research and education at the Alberta Children's Hospital. A portion of the Foundation's capital is restricted in that the Foundation must meet certain requirements in order to utilize its externally restricted fund balances, as described in note 1. The Foundation has internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

12. Comparative figures:

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