

**THE BETHESDA FOUNDATION
INCORPORATED**

Financial Statements
For the year ended December 31, 2010

THE BETHESDA FOUNDATION INCORPORATED

Financial Statements

For the year ended December 31, 2010

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Independent Auditor's Report

To the Members of THE BETHESDA FOUNDATION INCORPORATED

We have audited the accompanying financial statements of The Bethesda Foundation Incorporated, which comprise the statement of financial position as at December 31, 2010, and the statement of operations and changes in unrestricted net assets, statement of changes in restricted net assets and statement of 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 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.

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 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from cash donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. We were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and unrestricted net assets.

Qualified Opinion

In our opinion, except for the possible 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 Bethesda Foundation Incorporated as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
April 27, 2011

The Bethesda Foundation Incorporated Statement of Financial Position

December 31

2010

2009

Assets

Current Assets

Cash	\$ 592,912	\$ 1,101,427
Accrued interest receivable (Note 2)	105,920	90,260
Loan receivable - Bethesda Wellness Inc. (Note 3)	257,502	250,041
Goods and services tax rebate	1,488	1,137
	<u>957,822</u>	<u>1,442,865</u>

Investments (Note 4)

<u>4,234,987</u>	<u>3,540,137</u>
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<u>\$ 5,192,809</u>	<u>\$ 4,983,002</u>
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Liabilities and Net Assets

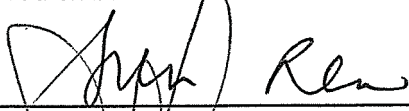

Current Liabilities

Donations payable (Note 5)	\$ 141,578	\$ 158,941
Accounts payable	4,500	19,655
Deferred revenue - golf tournament (Note 6)	35,547	27,693
	<u>181,625</u>	<u>206,289</u>

Net Assets

Restricted (Note 7)	2,068,337	2,133,484
Unrestricted	2,942,847	2,643,229
	<u>5,011,184</u>	<u>4,776,713</u>
	<u>\$ 5,192,809</u>	<u>\$ 4,983,002</u>

Approved on behalf of the Board:

	_____ Director
	_____ Director

The Bethesda Foundation Incorporated

Statement of Operations and Changes in Unrestricted Net Assets

For the year ended December 31	2010	2009
Revenue		
Interest	\$ 226,923	\$ 199,643
Donations		
Public	98,098	335,480
Gifts of lights	53,100	41,820
Transfer from Golf Tournament (Note 6)	7,854	9,231
	<u>385,975</u>	<u>586,174</u>
Operating Expenditures		
Office and administrative expenses	29,051	25,000
Foundation operating expenses	11,394	10,520
Professional fees	7,930	6,850
Special events	5,205	6,743
Fundraising	8,469	4,540
Miscellaneous	179	-
	<u>62,228</u>	<u>53,653</u>
Charitable Expenditures		
Donations	24,129	6,791
	<u>86,357</u>	<u>60,444</u>
Excess of revenue over expenditures for the year	299,618	525,730
Unrestricted net assets, beginning of year	<u>2,643,229</u>	<u>2,117,499</u>
Unrestricted net assets, end of year	<u>\$ 2,942,847</u>	<u>\$ 2,643,229</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Bethesda Foundation Incorporated Statement of Changes in Restricted Net Assets

For the year ended December 31	2010	2009
Revenue		
Building Centres of Excellence	\$ 158,640	\$ 314,830
Chaplain	43,776	40,412
	202,416	355,242
Expenditures		
Building Centres of Excellence	250,975	217,692
Chaplain	16,588	63,287
	267,563	280,979
Excess (deficiency) of revenue over expenditures for the year	(65,147)	74,263
Restricted net assets, beginning of year	2,133,484	2,059,221
Restricted net assets, end of year	\$ 2,068,337	\$ 2,133,484

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Bethesda Foundation Incorporated Statement of Cash Flows

For the year ended December 31	2010	2009
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year		
Unrestricted	\$ 299,618	\$ 525,730
Restricted	(65,147)	74,263
	<u>234,471</u>	<u>599,993</u>
Changes in non-cash working capital balances		
Accrued interest receivable	(15,660)	(26,767)
Goods and service tax rebate	(351)	(460)
Donations payable	(17,363)	(83,620)
Donations payable	(15,155)	15,849
Deferred revenue	7,854	(3,683)
	<u>193,796</u>	<u>501,312</u>
Cash Flows from Investing Activities		
Purchase of investments	(1,224,814)	(877,138)
Proceeds on sale of investments	529,964	518,890
Advance of loan receivable - Bethesda Wellness Inc.	(7,461)	(250,041)
	<u>(702,311)</u>	<u>(608,289)</u>
Decrease in cash and cash equivalents during the year	(508,515)	(106,977)
Cash and cash equivalents, beginning of year	<u>1,101,427</u>	<u>1,208,404</u>
Cash and cash equivalents, end of year	\$ 592,912	\$ 1,101,427
Supplementary Information		
Interest received	\$ 202,794	\$ 172,876

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Bethesda Foundation Incorporated

Summary of Significant Accounting Policies

For the year ended December 31, 2010

Financial Instruments

The Foundation utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Foundation classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

<u>Assets/Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash	Held-for-trading	Fair value
Loan receivable	Loans and receivables	Amortized cost
Investments	Held to maturity	Amortized cost
Donations and accounts payable	Other financial liabilities	Amortized cost

- Held-for-trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Held to maturity items are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

Revenue Recognition

Donation revenue is recognized as amounts are received. Interest revenue is recognized as earned at a rate specified in the terms of the investments.

The Bethesda Foundation Incorporated

Summary of Significant Accounting Policies

For the year ended December 31, 2010

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Foundation, are as follows:

Future for Not-for-Profit Organizations (NPO)

In December 2010, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

For non-government (private sector) NPOs, they have a choice of:

1. International Financial Reporting Standards (“IFRS”) or
2. Accounting Standards for NPOs (which is essentially the Accounting Standards for Private Enterprises with the current 4400 series of NPO specific standards added with some minor changes)

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

The organization continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

The Bethesda Foundation Incorporated

Notes to Financial Statements

For the year ended December 31, 2010

1. Entity Definition

The Bethesda Foundation Incorporated was incorporated under the statutes of the Province of Manitoba as a not-for-profit public foundation and is exempt from income taxes.

The Foundation is required under its by-laws to comply with the disbursement requirements of the Income Tax Act.

Accordingly, the Foundation may use and distribute the income of the Foundation as its Board of Directors deems proper for promoting the welfare and good of any hospital, personal care home, institution, organization, entity or similar institution delivering health care services in the area described in the Articles of Amendment dated December 10, 1997.

2. Accrued Interest Receivable

	<u>2010</u>		<u>2009</u>
Steinbach Credit Union Limited	\$ 83,283	\$	68,602
Community Credit Union Limited	18,377		17,577
Royal Bank of Canada	2,496		2,392
Toronto-Dominion Bank	1,764		1,689
	<u>\$ 105,920</u>	\$	<u>90,260</u>

3. Loan Receivable - Bethesda Wellness Inc.

The advances are secured by a promissory note with no specified interest rate. Bethesda Wellness Inc. is related to the Foundation by virtue of overlapping, common directors.

During the year, the Board of Directors specified an interest charge at a rate of 7% from the initial loan advance to December 31, 2010 in the amount of \$24,129. This amount was donated back to Bethesda Wellness Inc.

The Bethesda Foundation Incorporated Notes to Financial Statements

For the year ended December 31, 2010

4. Investments

	Maturity	Interest Rate	2010	2009
Royal Bank of Canada	09/11/2012	4.35%	\$ 188,683	\$ 180,818
Community Credit Union Limited	11/01/2014	4.00%	179,028	172,124
Community Credit Union Limited	11/09/2013	5.30%	332,734	315,944
Toronto-Dominion Bank	10/03/2013	4.45%	160,733	153,885
Steinbach Credit Union Limited	10/21/2010	4.50%	-	357,840
Steinbach Credit Union Limited	12/15/2013	4.75%	219,479	209,526
Steinbach Credit Union Limited	10/12/2012	5.35%	1,000,000	1,000,000
Steinbach Credit Union Limited	12/01/2012	5.30%	500,000	500,000
Steinbach Credit Union Limited	01/07/2014	4.50%	418,049	400,000
Steinbach Credit Union Limited	01/07/2014	4.50%	261,281	250,000
Steinbach Credit Union Limited	02/01/2015	3.60%	375,000	-
Steinbach Credit Union Limited	12/01/2015	3.50%	600,000	-
			\$ 4,234,987	\$ 3,540,137

5. Donations Payable

Balance owing for the year:

	2010	2009
2005 year end	\$ 25,858	\$ 43,221
2006 year end	115,720	115,720
	\$ 141,578	\$ 158,941

These balances relate to periods before 2007 when the Foundation followed a practice of accruing donations payable of 90% of interest earned in the year. These accruals are being reduced annually and the Foundation now follows the disbursement requirements outlined in Note 1.

During the year, the Foundation made the following payments for donations represented as follows:

	2010	2009
Prior year payable	\$ 17,363	\$ 83,620

The Bethesda Foundation Incorporated Notes to Financial Statements

For the year ended December 31, 2010

6. Deferred Revenue - Golf Tournament

Subsequent to the devolution of the Bethesda Health and Social Services District into South Eastman Health/Santé Sud-Est Inc., the Foundation assumed the responsibility for administering an annual golf tournament to raise funds for special projects at the Bethesda Regional Health Centre. Funds raised from the annual tournament are to be spent on these specific projects. Results of this activity for the year are as follows:

	2010	2009
Opening balance	\$ 27,693	\$ 31,376
Gross revenue	31,835	33,196
Expenditures	(16,127)	(14,733)
	43,401	49,839
Project expenditures		
Colonscope	-	12,915
Transfer to operations	7,854	9,231
	\$ 35,547	\$ 27,693

The present arrangement is that one-half of the net proceeds from the tournament will be transferred to operations, while the remaining half will be deferred to be spent on specific projects identified by staff.

The Bethesda Foundation Incorporated

Notes to Financial Statements

For the year ended December 31, 2010

7. Restricted Net Assets

	<u>2010</u>	<u>2009</u>
Building Centres of Excellence	\$ 2,038,001	\$ 2,130,336
Chaplaincy Program	28,336	1,148
Dialysis	<u>2,000</u>	<u>2,000</u>
	<u>\$ 2,068,337</u>	<u>\$ 2,133,484</u>

Building Centres of Excellence is a capital campaign to fund various projects at Bethesda Hospital with initial funding intended for the following two projects:

- Chemotherapy and Cancer Care Facility
- New birthing centre

The Foundation has pledged \$1,494,000 towards these projects and in 2010 has fulfilled payment of its commitment. Construction was started in the fall of 2006 and completed in 2007. The balance of the funds will be used to fund future Centres of Excellence projects.

The Foundation applied to the Canada Revenue Agency for permission to accumulate property related to this campaign for a period of ten years (to 2016) to permit the orderly funding of projects over this time period. Permission was given to accumulate funds up to the amount of \$2,820,000 for the purpose of the renovations and expansion of an emergency room at the Bethesda Hospital. The Foundation has pledged \$2,200,000 towards this project.

8. Gift of Insurance Policy

A \$250,000 life insurance policy was donated in 2006 whereby the Foundation is the beneficiary. The premium of the insurance policy is \$3,396 annually.

9. Capital Management

The Foundation considers its capital to comprise its Restricted and Unrestricted Net Assets. There have been no changes to what the Foundation considers to be its capital since the previous period.

The Foundation manages its capital to endeavour to retain donations made to it as permanent capital in the form of unrestricted net assets, thus maintaining sufficient resources to enable it to carry out its granting objectives. In addition, it holds restricted net assets related to specific projects, which are maintained and disbursed in accordance with the project plans and donor directions. Restricted net assets are not considered permanent capital.