

Financial Statements
(Expressed in thousands of dollars)

**BRITISH COLUMBIA'S CHILDREN'S
HOSPITAL FOUNDATION**

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of British Columbia's Children's Hospital Foundation

Report on the financial statements

We have audited the accompanying financial statements of the British Columbia's Children's Hospital Foundation, which comprise the statement of financial position as at March 31, 2017, the statements of operations and changes in net assets 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 accounting standards for not-for-profit organizations, 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 the British Columbia's Children's Hospital Foundation as at March 31, 2017 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

June 21, 2017
Vancouver, Canada

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Statement of Financial Position
(Expressed in thousands of dollars)

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 21,659	\$ 22,633
Accounts receivable (note 8(a))	3,357	3,531
Prepaid expenses and other	88	120
Investment in lottery prize home	1,989	-
	<u>27,093</u>	<u>26,284</u>
Capital assets (note 3)	86	13
Other assets	337	311
Investments (note 4)	318,684	337,565
Vancouver Foundation capital fund (note 5)	1,928	2,383
	<u>\$ 348,128</u>	<u>\$ 366,556</u>

Liabilities and Net Assets

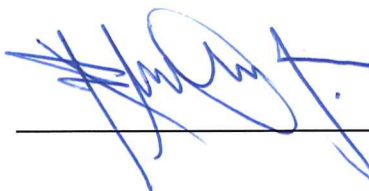
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 7,454	\$ 7,555
Due to Children's and Women's Health Centre of British Columbia (note 8(b))	146,518	189,858
Deferred revenue	374	495
	<u>154,346</u>	<u>197,908</u>
Net assets:		
Unrestricted fund	4,946	2,510
Internally restricted fund	87,688	74,535
Capital fund	37	37
Externally restricted fund	4,154	4,085
Endowment fund	96,957	87,481
	<u>193,782</u>	<u>168,648</u>
Contingency (note 13)		
	<u>\$ 348,128</u>	<u>\$ 366,556</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Statement of Operations and Changes in Net Assets
(Expressed in thousands of dollars)

Year ended March 31, 2017, with comparative information for 2016

	Internally restricted funds					2017	2016
	Unrestricted fund	Internally restricted fund	Capital fund	Externally restricted fund	Endowment fund		
Revenue:							
Fundraising	\$ 33,004	\$ -	\$ -	\$ 28,067	\$ 2,040	\$ 63,111	\$ 58,565
Lottery	-	-	-	24,902	-	24,902	22,702
British Columbia Mental Health Foundation (note 7(d))	-	-	-	1,658	-	1,658	-
Investment income (note 9)	8,209	-	-	3,297	-	11,506	14,174
Vancouver Foundation income (note 5)	564	-	-	227	28	819	936
Gross revenue	41,777	-	-	58,151	2,068	101,996	96,377
Cash surrender value adjustment on other assets	26	-	-	-	-	26	(4)
Net revenue	41,803	-	-	58,151	2,068	102,022	96,373
Expenses:							
Direct fundraising costs	11,962	-	-	-	-	11,962	11,258
Foundation administration	5,136	-	-	-	-	5,136	5,686
Lottery	-	-	-	16,602	-	16,602	15,648
Public relations and community awareness	2,635	-	-	-	-	2,635	2,354
Loss on sale of capital assets	-	-	-	-	-	-	96
	19,733	-	-	16,602	-	36,335	34,982
Excess of revenue over expenses before undernoted	22,070	-	-	41,549	2,068	65,687	61,391
Fair value adjustment on investments	13,153	-	-	-	7,480	20,633	(13,840)
Contributions provided to:							
Children's and Women's Health Centre of British Columbia (note 8(b))	(19,018)	-	-	(41,264)	(288)	(60,570)	(48,111)
Sunny Hill Foundation for Children (note 8(a)(i))	(406)	-	-	-	-	(406)	(940)
Sunshine Fund for Kids (note 8(a)(ii))	-	-	-	-	-	-	(305)
External grants	(210)	-	-	-	-	(210)	(210)
	(19,634)	-	-	(41,264)	(288)	(61,186)	(49,566)
Excess (deficiency) of revenue over expenses	15,589	-	-	285	9,260	25,134	(2,015)
Net assets, beginning of year	2,510	74,535	37	4,085	87,481	168,648	170,663
Interfund transfers (note 10)	(13,153)	13,153	-	(216)	216	-	-
Net assets, end of year	\$ 4,946	\$ 87,688	\$ 37	\$ 4,154	\$ 96,957	\$ 193,782	\$ 168,648

See accompanying notes to financial statements.

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Statement of Cash Flows

(Expressed in thousands of dollars)

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 25,134	\$ (2,015)
Items not involving cash:		
Net realized gains on investments	(3,226)	(5,462)
Change in unrealized (gains) losses on investments	(20,633)	13,840
Loss on sale of capital assets	-	36
Amortization	10	10
Cash surrender value adjustment on other assets	(26)	4
	1,259	6,413
Changes in non-cash operating working capital:		
Accounts receivable	174	(1,577)
Prepaid expenses and other	32	(60)
Other assets	-	71
Accounts payable and accrued liabilities	(101)	265
Due to Children's and Women's Health Centre of British Columbia	(43,340)	6,145
Deferred revenue	(121)	(50)
	(42,097)	11,207
Investing activities:		
Net change in short-term deposits included in investments	(2,882)	(2,378)
Purchase of investments	40,139	(18,274)
Proceeds from dispositions of investments	5,650	3,805
Purchase of capital assets	(83)	-
Proceeds from sale of capital assets	-	241
Redemption of Vancouver Foundation capital fund	288	385
Purchase of investment in lottery prize home	(1,989)	-
	41,123	(16,221)
Decrease in cash	(974)	(5,014)
Cash, beginning of year	22,633	27,647
Cash, end of year	\$ 21,659	\$ 22,633

See accompanying notes to financial statements.

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2017

1. Nature of operations:

The British Columbia's Children's Hospital Foundation (the "Foundation") is incorporated under the Societies Act (British Columbia). The Foundation transitioned to the new Societies Act (British Columbia) on January 10, 2017.

The Foundation promotes the development of child health care, in particular at the British Columbia's Children's Hospital, part of the Children's and Women's Health Centre of British Columbia (the "Health Centre"), by providing financial support for the development of research, patient care and education, and the purchase of equipment and facilities.

The Foundation is a charitable organization registered under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met, and is able to issue donation receipts for income tax purposes.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - *Accounting*. The significant accounting policies are as follows:

(a) Fund accounting and revenue recognition:

In order to ensure observance of the limitations and restrictions placed on the use of resources available, the Foundation follows the restricted fund method of accounting for contributions. Under this method, unrestricted contributions are recognized as revenue of the unrestricted fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions and investment income are recognized as revenue of the externally restricted fund to which they relate. Endowment contributions are recognized as revenue of the endowment fund. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors (the "Board").

Transfers between the funds are made when it is considered appropriate and authorized by the Board. To meet the objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the statement of operations and changes in net assets.

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(a) Fund accounting and revenue recognition (continued):

For financial reporting purposes, the accounts have been classified into the following funds:

(i) Unrestricted fund:

The unrestricted fund comprises donations that are not specifically designated by donors, as well as investment income earned that is not externally restricted by donors for a specific purpose. All fundraising and administrative costs are charged to the unrestricted fund, regardless of which fund the resulting donations were directed to by the donor.

(ii) Internally restricted fund:

From time to time, the Board may impose certain restrictions on fund balances. These amounts are presented in the statements of financial position and operations and changes in net assets as internally restricted funds. These funds include internally restricted endowment funds and net unrealized gains on unrestricted investments. The interest earned on the funds will be used to pay operational costs of the Foundation. These internally restricted amounts are not available for other purposes without approval of the Board.

(iii) Capital fund:

The capital fund reports the assets, liabilities, contributions restricted for the acquisition of capital assets, expenses and gains on the sale of capital assets related to the Foundation's capital assets.

(iv) Externally restricted fund:

The externally restricted fund comprises funds for which the purposes have been specifically designated by donors, funds raised through the Foundation's annual lotteries, restricted income received from the Vancouver Foundation and the restricted investment income earned on the endowment funds held by the Foundation. These funds include those which are restricted for use in research, patient care and other designated areas of the Foundation's support contribution activities.

(v) Endowment fund:

The externally restricted endowment fund comprises donations that are permanently maintained in accordance with donor wishes and recapitalized investment income relating to external donor endowments.

Investment income that can be recapitalized into the endowment funds is determined based on the difference between actual investment income earned and a distribution percentage, as approved by the Board annually, and is recorded as an interfund transfer from the externally restricted fund to the endowment fund.

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(b) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized on a straight line basis over the assets' estimated useful lives as follows:

Assets	Years
Computer equipment	3
Office equipment and furniture	5

(c) Other assets:

The Foundation is the named beneficiary for various life insurance policies for which the respective donors have agreed to pay the life insurance premiums on behalf of the Foundation. The life insurance policies are irrevocable. The Foundation measures the asset and revenues recognized based on the insurance policies' cash surrender value. The Foundation records tax receipted insurance premiums paid on the policies as fundraising revenue with an adjustment recorded to revenues to bring the asset value to the cash surrender value.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry all its investments and Vancouver Foundation capital fund, which include short-term deposits, notes, and investment certificates, bonds, and common stocks, at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2017

2. Significant accounting policies (continued):

- (e) Contributions to the Children's and Women's Health Centre of British Columbia (the "Health Centre"):

Contributions provided to the Health Centre as recorded within the statement of operations, and the resulting amount due to the Health Centre, represent a non-reciprocal, irrevocable obligation of the Foundation.

- (f) Deferred revenue:

Deferred revenue represents sponsorship monies received in advance of related events and externally restricted contributions for which an externally restricted fund does not exist.

- (g) Contributed materials and services:

The Foundation records the fair value of contributed materials that qualify for receipted in-kind donations, where such fair value is determinable, and would otherwise have been purchased, as revenue along with a corresponding expense. During the year ended March 31, 2017, the Foundation recorded contributions of in-kind donations with a fair value of \$846,660 (2016 - \$371,143).

A substantial number of volunteers and corporate supporters contribute a significant amount of their time and services to the Foundation each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

- (h) Use of estimates:

The preparation of these financial statements 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.

- (i) Employee future benefits:

The employees of the Foundation are members of a multi-employer defined benefit plan and accordingly, contributions are expensed as incurred.

- (j) Investment in lottery prize home:

Investment in lottery prize home is recorded at the cost of acquisition. At each reporting date, the investment in lottery prize home is reviewed to assess whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment, if any.

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(k) Allocation of expenses:

(i) Direct fundraising costs:

Direct fundraising costs include direct internal costs relating to fundraising activity, event expenses, and third party fundraising program costs.

(ii) Foundation administration and public relations and community awareness expenses:

All expenses related to general management and administrative activities are expensed in the period in which they are incurred as Foundation administration expenses. All expenses related to public relations and marketing are expensed in the period in which they are incurred as public relations and community awareness expenses.

Foundation administration and public relations and community awareness expenses are not allocated to direct fundraising costs related to fundraising and event activities.

3. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 126	\$ 126	\$ -	\$ -
Office equipment and furniture	243	157	86	13
	\$ 369	\$ 283	\$ 86	\$ 13

4. Investments:

Investments are comprised of the following:

	2017	2016
Short-term deposits, notes and investment certificates	\$ 272	\$ 3,233
Bonds	127,435	172,757
Equities	190,977	161,575
	\$ 318,684	\$ 337,565

The yield for the year ended March 31, 2017, including realized gains and losses, was 4.27% (2016 - 4.72%), calculated on the basis of total investment income divided by the sum of the weighted average market value. This yield does not include unrealized gains and losses.

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2017

4. Investments (continued):

Certain investments are restricted for endowments as follows:

	2017	2016
External, excluding Vancouver Foundation endowment	\$ 95,029	\$ 85,098
Internal (a)	61,105	56,339
	<u>\$ 156,134</u>	<u>\$ 141,437</u>

(a) The internally restricted endowment of \$61,105,000 (2016 - \$56,339,000) is presented within the internally restricted fund in net assets.

5. Vancouver Foundation capital fund:

The Foundation receives income from restricted funds held at the Vancouver Foundation. The Foundation's rights to the capital have certain restrictions and, accordingly, these funds are not reflected in these financial statements, except as described below. Funds held at the Vancouver Foundation for which the Foundation is the sole recipient of the income have a market value as at March 31, 2017 of approximately \$9,423,000 (2016 - \$9,329,000).

Of this \$9,423,000 (2016 - \$9,329,000), approximately \$1,928,000 (2016 - \$2,383,000) relates to the Children's Hospital Foundation Capital Fund (the "Capital Fund"). This Capital Fund is administered by a separate Board of Directors (the "Capital Fund Board") originally established by the Health Centre. At the discretion of the Capital Fund Board, 25% of the capital from this fund can be withdrawn and disbursed to the Foundation in any one year.

The Vancouver Foundation manages the investments in the Capital Fund but disbursements are at the absolute discretion of the Capital Fund Board. The members of the Capital Fund Board are the society members of the Foundation. As a result, the Foundation is deemed to control the Capital Fund. Hence, the Capital Fund is reflected in these financial statements. In the current year, 25% of the capital from this fund was withdrawn and disbursed to the Foundation.

All of the restricted funds, with the exception of the Capital Fund, of approximately \$7,495,000 (2016 - \$6,946,000) will remain with the Vancouver Foundation in perpetuity, with the income flowing to the Foundation. Hence, these funds are not reflected in these financial statements.

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$283,000 (2016 - \$325,000), which includes amounts payable for payroll related taxes and contributions. At March 31, 2017, all federal payroll remittances payable are current.

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2017

7. Related entities:

(a) Sunny Hill Foundation for Children:

On October 28, 2000, the Foundation and Sunny Hill Foundation for Children ("Sunny Hill") signed an operational agreement in which all fundraising and fund management activities of Sunny Hill would be run by the Foundation. The reason for the agreement was to better carry out the primary purpose of the two foundations of raising funds for the Health Centre. All assets of Sunny Hill are managed by the Foundation. Sunny Hill remains a separate legal entity. Accordingly, the Foundation's financial statements exclude the financial position and operating results, including fundraising efforts, of Sunny Hill. The Foundation has committed to use best reasonable efforts to ensure that a minimum of \$1,309,000 (2016 - \$1,288,000) be provided by Sunny Hill to the Health Centre each year specifically for child rehabilitation and developmental pediatrics, whether carried on by the Health Centre at the Sunny Hill site or elsewhere. The commitment is adjusted annually for inflation.

The following is a summary of Sunny Hill's financial position as at March 31 and results of operations and changes in net assets for the year ended March 31:

Financial position	2017	2016
Total assets	\$ 36,335	\$ 15,940
Total liabilities	\$ 8,265	\$ 8,811
Net assets:		
Unrestricted fund	248	182
Capital fund	20,000	-
Internally restricted fund	1,403	1,030
Endowment fund	6,419	5,917
	28,070	7,129
	\$ 36,335	\$ 15,940
Results of operations and changes in net assets	2017	2016
Revenue	\$ 21,721	\$ 1,886
Expenses	(62)	(79)
Fair value adjustment on investments	716	(707)
Contributions provided to Health Centre	(1,434)	(1,606)
Excess (deficiency) of revenue over expenses	20,941	(506)
Net assets, beginning of year	7,129	7,635
Net assets, end of year	\$ 28,070	\$ 7,129

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2017

7. Related entities (continued):

(b) Children's Hospital Foundation Limited:

Children's Hospital Foundation Limited ("CHFL") was incorporated in Hong Kong on March 5, 2008 and granted charitable registration status in Hong Kong on May 9, 2008. CHFL was organized to record the financial activities of fundraising in greater China for the benefit of the Centre for International Child Health ("CICH"). The CICH is a component of the Health Centre and operates to improve the lives and health of children today and in the future through advancing capacity and knowledge in child health globally. CHFL ceased operations effective March 31, 2017 and is proceeding with deregistration subsequent to year-end. Prior to ceasing operations, CHFL contributed \$17,000 to the Foundation. The Foundation and CHFL had an administrative services agreement whereby the Foundation provided administrative services to CHFL in order to support the carrying out of its purpose. All assets of CHFL were managed by the Foundation and no administration costs were charged to CHFL by the Foundation. CHFL has been a separate legal entity. Accordingly, the Foundation's financial statements exclude the financial position and operating results, including fundraising efforts realized through CHFL.

The following is a summary of CHFL's financial position as at March 31 and results of operations and changes in net assets for the year ended March 31:

Financial position	2017	2016
Total assets	\$ -	\$ 39
Unrestricted net assets	\$ -	\$ 39

Results of operations and changes in net assets	2017	2016
Revenue	\$ -	\$ 1
Expenses	(22)	(21)
Contribution to Foundation	(17)	-
Deficiency of revenue over expenses	(39)	(20)
Net assets, beginning of year	39	59
Net assets, end of year	\$ -	\$ 39

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2017

7. Related entities (continued):

(c) Sunshine Fund for Kids and Causes:

Sunshine Fund for Kids and Causes ("SFKC") was incorporated federally on July 4, 2008 under the Canada Corporations Act and transitioned to the Canada Not-For-Profit Corporations Act in June 2014. SFKC is registered as a public foundation under the Income Tax Act and operates a donor-advised fund that makes gifts to the Foundation and other Canadian qualified donees. SFKC and the Foundation have an administrative services agreement whereby the Foundation provides administrative services to SFKC in order to support the carrying out of its purposes. No administration costs are charged to SFKC by the Foundation. All assets of SFKC are managed by the Foundation. SFKC remains a separate legal entity. Accordingly, the Foundation's financial statements exclude the financial position and operating results, including fundraising efforts realized through SFKC.

The following is a summary of SFKC's financial position as at March 31 and results of operations and changes in net assets for the year ended March 31:

Financial position	2017	2016
Total assets	\$ 2,653	\$ 2,360
Total liabilities	\$ 73	\$ 42
Net assets:		
Externally restricted fund	325	266
Endowment fund	2,255	2,052
	2,580	2,318
	\$ 2,653	\$ 2,360

Results of operations and changes in net assets	2017	2016
Revenue	\$ 141	\$ 458
Expenses	(32)	(28)
Fair value adjustment on investments	203	(119)
Contributions provided to:		
Foundation (note 8(a)(ii))	(39)	(56)
Other Canadian qualified donees	(11)	(8)
Excess of revenue over expenses	262	247
Net assets, beginning of year	2,318	2,071
Net assets, end of year	\$ 2,580	\$ 2,318

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2017

7. Related entities (continued):

(d) British Columbia Mental Health Foundation:

British Columbia Mental Health Foundation ("BCMHF") was incorporated on October 29, 1991 under the Society Act (British Columbia). BCMHF is an independent charitable organization that raises and stewards funds for research and knowledge exchange and to reduce stigma for those individuals with serious and persistent mental illness. In carrying out its purpose, BCMHF grants funds to organizations and individuals, including branch organizations of the Provincial Health Services Authority, conducting qualifying projects and programs. BCMHF is a charitable organization registered under the Income Tax Act and, as such, is exempt from income tax and is able to issue donation receipts for income tax purposes.

On January 15, 2015, the Foundation and BCMHF signed an administrative services agreement in which all administrative activities of BCMHF would be run by the Foundation. No administration costs have been charged to BCMHF by the Foundation. All assets of BCMHF were managed by the Foundation. BCMHF remains a separate legal entity. Accordingly, the Foundation's financial statements exclude the financial position and operating results, including fundraising efforts realized through BCMHF.

On November 14, 2016, the Foundation terminated the administrative services agreement and the administration of BCMHF was transferred to the Provincial Health Services Authority. Prior to the transfer, BCMHF contributed \$1,658,000 to the Foundation.

8. Related entity balances and transactions:

(a) The Foundation had the following amounts due from related entities included in accounts receivable:

	2017	2016
Due from Sunny Hill (i)	\$ 955	\$ 1,911
Due from Sunny Hill Property Trust	-	1
Due from SFKC (ii)	73	42
	\$ 1,028	\$ 1,954

(i) Under the operational merger agreement (note 7(a)), the Foundation manages the receipt of Sunny Hill's gift revenue and the cash flow needs of Sunny Hill, including, during the normal course of operations, transferring funds from the Foundation to Sunny Hill to fund Sunny Hill's expenses and contributions to the Health Centre. The amount receivable from Sunny Hill is non-interest bearing and has no specific repayment terms

During the year ended March 31, 2017, the Foundation provided contributions to Sunny Hill in the amount of \$406,000 (2016 - \$940,000).

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2017

8. Related entity balances and transactions (continued):

(a) (continued):

(ii) Under the administrative services agreement (note 7(c)), the Foundation manages the receipt of SFKC's gift revenue. During the year ended March 31, 2017, the Foundation provided nil contributions to SFKC (2016 - \$305,000), and SFKC provided contributions of \$39,435 (2016 - \$56,355) to the Foundation.

(b) Children's and Women's Health Centre of British Columbia:

Contributions provided to the Health Centre as recorded within the statement of operations represent a non-reciprocal, irrevocable obligation of the Foundation. During the year ended March 31, 2017, the Foundation made contributions to the Health Centre of \$60,570,000 (2016 - \$48,111,000). The amount due to the Health Centre as at March 31, 2017 of \$146,518,000 (2016 - \$189,858,000) consists of costs incurred by the Health Centre of \$16,172,000 (2016 - \$12,650,000), which are to be reimbursed by the Foundation, as well as contributions receivable from the Foundation of \$130,346,000 (2016 - \$177,208,000). The balance is non-interest bearing and has no specific repayment terms. The \$130,346,000 (2016 - \$177,208,000) is moved to a designated fund and is paid out as the Health Centre draws down on the funds as spent.

The Foundation has a portion of its office located in premises provided on a rent-free basis by the Health Centre. Rent for the year ended March 31, 2017 with a fair value of approximately \$772,000 (2016 - \$750,000) has not been recorded in the statement of operations and changes in net assets. If these facilities were unavailable on this basis, the Foundation would have to rent similar facilities from another landlord.

The Foundation also receives certain administrative services from the Health Centre, including the use of accounting systems, payroll and benefit administration, housekeeping and information technology support. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

9. Investment income:

Investment income is comprised of the following:

	2017	2016
Interest and dividends	\$ 8,280	\$ 8,712
Net realized gains on investments	3,226	5,462
	\$ 11,506	\$ 14,174

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2017

10. Interfund transfers:

2017	Unrestricted fund	Internally restricted funds ^(a)	Externally restricted fund	Endowment fund
Recapitalization of investment income from externally restricted fund to endowment fund	\$ -	\$ -	\$ (117)	\$ 117
Sundry grants transferred to endowment fund	-	-	(99)	99
Internal restriction of fair value adjustment on investments	(13,153)	13,153	-	-
	\$ (13,153)	\$ 13,153	\$ 216	\$ 216

2016	Unrestricted fund	Internally restricted funds ^(a)	Externally restricted fund	Endowment fund
Recapitalization of investment income from externally restricted fund to endowment fund	\$ -	\$ -	\$ (105)	\$ 105
Sundry grants transferred to endowment fund	-	-	(172)	172
Internal restriction of fair value adjustment on investments	9,512	(9,512)	-	-
Approved internal transfer to operating endowment	(7,000)	7,000	-	-
	\$ 2,512	\$ (2,512)	\$ (277)	\$ 277

(a) Internally restricted funds include the internally restricted fund and capital fund.

11. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Investment Objectives and Guidelines approved by The Board.

The Foundation is exposed to interest rate risk on its floating interest rate financial instruments. Fixed-rate instruments subject the Foundation to a fair value risk while the floating rate instruments subject it to cash flow risk. The Foundation is exposed to this risk as a result of investments in bonds and short-term deposits, notes and investment certificates. The risks associated with investments are managed through the Foundation's established investment policy.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation has investments in common stocks and other equity investments which are subject to risks arising from changes in market conditions.

The Foundation believes that it is not exposed to significant foreign currency, credit or liquidity risks arising from its financial instruments.

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2017

12. Employee pension plan:

The Foundation and its employees contribute to the Municipal Pension Plan ("Plan"), a jointly trustee 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 based on a formula. The Plan has approximately 188,000 (2016 - 184,000) active members and approximately 85,000 (2016 - 79,000) retired members. Active members include approximately 110 (2016 - 106) employees of the Foundation.

The most recent actuarial valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits. The next valuation will be as at December 31, 2018 with results available in fall of 2019. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan, in aggregate, with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The Foundation paid \$756,000 (2016 - \$753,000) for employer contributions to the Plan in fiscal 2017.

13. Contingency:

On May 26, 2014, the Health Centre, an agency of the Provincial Health Services Authority, entered into a Lease Agreement ("Lease") with The Children's Family House Society of B.C., operating as Ronald McDonald House British Columbia ("RMHBC"). The Lease grants RMHBC the use of land and the Ronald McDonald House constructed on that land for a term of 60-years.

At the same time, the Foundation entered into a Contribution Agreement ("Agreement") with RMHBC. Under the Agreement, if the Lease is terminated under certain sections of the Lease, or upon the expiry of the lease term, the Foundation will pay to RMHBC, as at the effective date of the termination or expiry of the lease term, an amount equal to the fair market value of the premises, exclusive of the land, less any amount the Health Centre is obligated to pay as per the Lease. Fair market value will be determined by agreement between the Foundation and RMHBC. As of March 31, 2017, the ultimate amount of the payment cannot be reasonably estimated. Hence no amount has been recorded with respect to this contingency.

14. Employee, contractor and director remuneration:

For the year ended March 31, 2017, the Foundation paid total remuneration of \$2,200,000 to the top ten employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.

The Foundation did not pay any remuneration to its Board of Directors.

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2017

15. Comparative information:

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