

Financial Statements of

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

Year ended March 31, 2016



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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, 2016, 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, 2016 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 Society 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 23, 2016

Vancouver, Canada

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Statement of Financial Position  
(in thousands of dollars)

March 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash	\$ 22,633	\$ 27,647
Accounts receivable (note 9(a))	3,531	1,954
Prepaid expenses and other	120	60
	<u>26,284</u>	<u>29,661</u>
Capital assets (note 3)	13	299
Other assets (note 4)	311	386
Investments (note 5)	337,565	328,613
Vancouver Foundation capital fund (note 6)	2,383	3,252
	<u>\$ 366,556</u>	<u>\$ 362,211</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 7,555	\$ 7,290
Due to Children's and Women's Health Centre of British Columbia (note 9(b))	189,858	183,713
Deferred revenue	495	545
	<u>197,908</u>	<u>191,548</u>
Net assets:		
Unrestricted fund	2,510	293
Internally restricted fund	74,535	77,047
Capital fund	37	74
Externally restricted fund	4,085	3,656
Endowment fund	87,481	89,593
	<u>168,648</u>	<u>170,663</u>
Contingency (note 14)		
	<u>\$ 366,556</u>	<u>\$ 362,211</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

Director

  
\_\_\_\_\_  
Director

Director

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Year ended March 31, 2016, with comparative information for 2015

	Internally restricted funds			Externally		2016	2015
	Unrestricted fund	Internally restricted fund	Capital fund	restricted fund	Endowment fund		
<b>Revenue:</b>							
Fundraising	\$ 31,784	\$ -	\$ -	\$ 24,077	\$ 2,304	\$ 58,165	\$ 54,033
Lottery	-	-	-	22,702	-	22,702	22,261
Investment income (note 10)	10,971	-	-	3,203	-	14,174	17,043
Vancouver Foundation income (note 6)	703	-	-	215	18	936	974
Gross revenue	43,458	-	-	50,197	2,322	95,977	94,311
Cash surrender value adjustment on other assets	(4)	-	-	-	-	(4)	101
Net revenue	43,454	-	-	50,197	2,322	95,973	94,412
<b>Expenses:</b>							
Direct fundraising costs	11,258	-	-	-	-	11,258	11,369
Foundation administration	5,686	-	-	-	-	5,686	5,114
Lottery	-	-	-	15,648	-	15,648	15,470
Public relations and community awareness	2,354	-	-	-	-	2,354	1,884
Loss on sale of capital asset	-	-	36	-	-	36	-
	19,298	-	36	15,648	-	34,982	33,837
Excess (deficiency) of revenue over expenses before undernoted	24,156	-	(36)	34,549	2,322	60,991	60,575
Fair value adjustment on investments	(9,513)	-	-	-	(4,327)	(13,840)	8,360
<b>Contributions provided to:</b>							
Children's and Women's Health Centre of British Columbia	(13,883)	-	(1)	(33,843)	(384)	(48,111)	(55,538)
Sunny Hill Foundation for Children	(540)	-	-	-	-	(540)	(527)
Sunshine Fund for Kids	(305)	-	-	-	-	(305)	-
External grants	(210)	-	-	-	-	(210)	-
	(14,938)	-	(1)	(33,843)	(384)	(49,166)	(56,065)
Excess (deficiency) of revenue over expenses	(295)	-	(37)	706	(2,389)	(2,015)	12,870
Net assets, beginning of year	293	77,047	74	3,656	89,593	170,663	157,793
Interfund transfers (note 11)	2,512	(2,512)	-	(277)	277	-	-
Net assets, end of year	\$ 2,510	\$ 74,535	\$ 37	\$ 4,085	\$ 87,481	\$ 168,648	\$ 170,663

See accompanying notes to financial statements.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Statement of Cash Flows  
(in thousands of dollars)

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ (2,015)	\$ 12,870
Items not involving cash:		
Net realized gains on investments	(5,462)	(8,270)
Change in unrealized (gains) losses on investments	13,840	(8,360)
Loss on sale of capital assets	36	-
Amortization	10	13
Cash surrender value adjustment on other assets	4	(101)
	6,413	(3,848)
Change in non-cash operating working capital:		
Accounts receivable	(1,577)	1,840
Prepaid expenses and other	(60)	8
Other assets	71	-
Accounts payable and accrued liabilities	265	666
Due to Children's and Women's Health Centre of British Columbia	6,145	18,836
Deferred revenue	(50)	377
	11,207	17,879
Investing activities:		
Net change in short-term deposits included in investments	(2,378)	1,836
Purchase of investments	(18,274)	(13,254)
Proceeds from dispositions of investments	3,805	2,937
Proceeds from sale of capital assets	241	-
Redemption of Vancouver Foundation capital fund	385	512
	(16,221)	(7,969)
Increase (decrease) in cash	(5,014)	9,910
Cash, beginning of year	27,647	17,737
Cash, end of year	\$ 22,633	\$ 27,647

See accompanying notes to financial statements.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements  
(tabular amounts in thousands of dollars)

Year ended March 31, 2016

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## 1. Nature of operations:

The British Columbia's Children's Hospital Foundation (the "Foundation") is incorporated under the Society Act (British Columbia).

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 in thousands of dollars)

Year ended March 31, 2016

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## 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 in thousands of dollars)

Year ended March 31, 2016

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## 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
Buildings	15
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.

The Foundation is also the named beneficiary of various charitable remainder trusts. Revenue is recognized in the unrestricted fund and a corresponding receivable is accrued at the time the trust agreement is signed, based on the present value of expected future cash receipts as determined by an actuary. Any difference between the carrying value and actual cash received upon death of the donor is recognized as revenue or expense in the period of receipt.

### (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.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2016

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## 2. Significant accounting policies (continued):

### (d) Financial instruments (continued):

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.

### (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, 2016, the Foundation recorded contributions of in-kind donations with a fair value of \$371,143 (2015 - \$646,483).

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.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2016

## 2. Significant accounting policies (continued):

(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) Allocation of expenses:

(i) Direct costs:

Direct 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 costs related to fundraising and event activities.

## 3. Capital assets:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Buildings	\$ -	\$ -	\$ -	\$ 276
Computer equipment	126	126	-	-
Office equipment and furniture	161	148	13	23
	\$ 287	\$ 274	\$ 13	\$ 299

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2016

## 4. Other assets:

	2016	2015
Life insurance policies	\$ 311	\$ 315
Charitable remainder trusts	-	71
	\$ 311	\$ 386

## 5. Investments:

Investments are comprised of the following:

	2016	2015
Short-term deposits, notes and investment certificates	\$ 3,233	\$ 4,791
Bonds	172,757	170,814
Equities	161,575	153,008
	\$ 337,565	\$ 328,613

Certain investments are restricted for endowments as follows:

	2016	2015
External, excluding Vancouver Foundation endowment	\$ 85,098	\$ 86,341
Internal	56,339	51,052
	\$ 141,437	\$ 137,393

The yield for the year ended March 31, 2016, including realized gains and losses, was 4.72% (2015 - 6.09%), 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 in thousands of dollars)

Year ended March 31, 2016

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## 6. 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, 2016 of approximately \$9,329,000 (2015 - \$10,356,000).

Of this \$9,329,000 (2015 - \$10,356,000), approximately \$2,383,000 (2015 - \$3,252,000) 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 \$6,946,000 (2015 - \$7,104,000) 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.

## 7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$325,000 (2015 - \$282,000), which includes amounts payable for payroll related taxes and contributions. At March 31, 2016, all federal payroll remittances payable are current.

## 8. 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, except for the Sunny Hill Property Trust, are now managed by the Foundation.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2016

## 8. Related entities (continued):

### (a) Sunny Hill Foundation for Children (continued):

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 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:

<b>Financial position</b>	2016	2015
Total assets	\$ 15,940	\$ 15,393
Total liabilities	\$ 8,811	\$ 7,758
Net assets:		
Unrestricted fund	182	42
Internally restricted fund	1,030	1,458
Endowment fund	5,917	6,135
	7,129	7,635
	\$ 15,940	\$ 15,393
<b>Results of operations and changes in net assets</b>	2016	2015
Revenue	\$ 1,886	\$ 1,736
Expenses	(79)	(40)
Fair value adjustment on investments	(707)	512
Contributions provided to:		
Health Centre	(1,606)	(1,455)
Foundation (note 9)	-	(20)
Excess (deficiency) of revenue over expenses	(506)	733
Net assets, beginning of year	7,635	6,902
Net assets, end of year	\$ 7,129	\$ 7,635

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2016

## 8. 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. The Foundation and CHFL have an administrative services agreement whereby the Foundation provides administrative services to CHFL in order to support the carrying out of its purpose. No administration costs are charged to CHFL by the Foundation. All assets of CHFL are managed by the Foundation. CHFL remains 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:

<b>Financial position</b>	2016	2015
Total assets	\$ 39	\$ 59
Total liabilities	\$ -	\$ -
Unrestricted net assets	39	59
	\$ 39	\$ 59
<b>Results of operations and changes in net assets</b>	2016	2015
Revenue	\$ 1	\$ 1
Expenses	(21)	(17)
Deficiency of revenue over expenses	(20)	(16)
Net assets, beginning of year	59	75
Net assets, end of year	\$ 39	\$ 59

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2016

## 8. Related entities (continued):

### (c) Sunshine Fund for Kids and Causes:

Sunshine Fund for Kids and Causes ("SKFC") 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. SKFC 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:

<b>Financial position</b>	2016	2015
Total assets	\$ 2,360	\$ 2,096
Total liabilities	\$ 42	\$ 25
Net assets:		
Externally restricted fund	266	200
Endowment fund	2,052	1,871
	2,318	2,071
	\$ 2,360	\$ 2,096
<b>Results of operations and changes in net assets</b>	2016	2015
Revenue	\$ 458	\$ 158
Expenses	(28)	(15)
Fair value adjustment on investments	(119)	46
Contributions provided to:		
Foundation (note 9)	(56)	(63)
Other Canadian qualified donees	(8)	(8)
Excess of revenue over expenses	247	118
Net assets, beginning of year	2,071	1,953
Net assets, end of year	\$ 2,318	\$ 2,071



# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2016

## 8. 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 are charged to BCMHF by the Foundation. All assets of BCMHF are 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.

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

<b>Financial position</b>	2016	2015
Total assets	\$ 3,373	\$ 3,429
Total liabilities	\$ 1,619	\$ 1,725
Net assets	1,754	1,704
	\$ 3,373	\$ 3,429
<b>Results of operations and changes in net assets</b>	2016	2015
Revenue	\$ 161	\$ 185
Expenses	111	156
Excess of revenue over expenses	50	29
Net assets, beginning of year	1,704	1,675
Net assets, end of year	\$ 1,754	\$ 1,704

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2016

## 9. Related entity balances and transactions:

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

	2016	2015
Due from Sunny Hill (i)	\$ 1,911	\$ 947
Due from Sunny Hill Property Trust ("SHPT") (ii)	1	3
Due from SFKC (iii)	42	25
	\$ 1,954	\$ 975

- (i) Under the operational merger agreement (note 8(a)), the Foundation manages the receipt of Sunny Hill's gift revenue. During the year ended March 31, 2016, the Foundation collected \$605,000 of gift revenue (2015 - \$374,000) on behalf of Sunny Hill. The Foundation also manages 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, 2016, the Foundation paid investment management fees on behalf of Sunny Hill of \$35,000 (2015 - \$39,000), and provided supporting contributions to Sunny Hill in the amount of \$540,000 (2015 - \$527,000).

During the year ended March 31, 2016, Sunny Hill provided contributions of nil (2015 - \$20,000) to the Foundation.

- (ii) During the year ended March 31, 2016, the Foundation paid expenses on behalf of SHPT of \$2,400 (2015 - \$2,200).

- (iii) Under the administrative services agreement (note 8(c)), the Foundation manages the receipt of SFKC's gift revenue. During the year ended March 31, 2016, the Foundation collected nil of gift revenue (2015 - nil) on behalf of SFKC. In addition, the Foundation provided supporting contributions to SFKC of \$305,000 (2015 - nil), and paid expenses on behalf of SFKC of \$1,000 (2015 - \$6,800).

During the year ended March 31, 2016, SFKC provided contributions of \$56,000 (2015 - \$63,000) to the Foundation.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2016

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## 9. Related entity balances and transactions (continued):

(b) Contributions provided to the Health Centre as recorded within the statement of operations represent a non-reciprocal, irrevocable obligation of the Foundation. The amount due to the Health Centre as at year end consists of costs incurred by the Health Centre of \$12,650,000 (2015 - \$8,478,000), which are to be reimbursed by the Foundation, as well as contributions receivable from the Foundation of \$177,208,000 (2015 - \$175,235,000) as at March 31, 2016. The balance is non-interest bearing and has no specific repayment terms. The \$177,208,000 (2015 - \$175,235,000) 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, 2016 with a fair value of approximately \$750,000 (2015 - \$730,000) 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.

## 10. Investment income:

Investment income is comprised of the following:

	2016	2015
Interest and dividends	\$ 8,712	\$ 8,773
Net realized gains on investments	5,462	8,270
	\$ 14,174	\$ 17,043

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2016

## 11. Interfund transfers:

2016	Unrestricted fund	Internally restricted funds (a)	Externally restricted fund	Endowment fund
Approved recapitalization of investment income from externally restricted fund to endowment fund	\$ -	\$ -	\$ (105)	\$ 105
Sundry grants transferred to endowment fund	-	-	(172)	172
Approved 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
2015	Unrestricted fund	Internally restricted funds (a)	Externally restricted fund	Endowment fund
Approved recapitalization of investment income from unrestricted fund to internally restricted fund	\$ (907)	\$ 907	\$ -	\$ -
Approved recapitalization of investment income from externally restricted fund to endowment fund	-	-	(1,603)	1,603
Sundry grants transferred to endowment fund	-	-	(478)	478
Approved internal restriction of fair value adjustment on investments	(6,588)	6,588	-	-
	\$ (7,495)	\$ 7,495	\$ (2,081)	\$ 2,081

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

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2016

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## 12. 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 risk associated with investments is 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 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 risk arising from its financial instruments.

## 13. 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 184,000 (2015 - 182,000) active members and approximately 79,000 (2015 - 75,000) retired members. Active members include approximately 106 (2015 - 97) employees of the Foundation.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in fall of 2016. 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 \$753,000 (2015 - \$700,000) for employer contributions to the Plan in fiscal 2016.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2016

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## 14. 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, 2016, the ultimate amount of the payment cannot be reasonably estimated. Hence no amount has been recorded with respect to this contingency.

## 15. Comparative figures:

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