Financial Statements (Expressed in thousands of dollars)

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Year ended March 31, 2018



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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 British Columbia's Children's Hospital Foundation, which comprise the statement of financial position as at March 31, 2018, 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 British Columbia's Children's Hospital Foundation as at March 31, 2018 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.

Chartered Professional Accountants

Vancouver, Canada June 18, 2018

LPMG LLP

Statement of Financial Position (Expressed in thousands of dollars)

March 31, 2018, with comparative information for 2017

Accounts receivable (note 8(a)) Prepaid expenses and other Investment in lottery prize home Capital assets (note 3) Other assets Investments (note 4) Vancouver Foundation capital fund (note 5)			
Cash Accounts receivable (note 8(a)) Prepaid expenses and other Investment in lottery prize home Capital assets (note 3) Other assets Investments (note 4) Vancouver Foundation capital fund (note 5)			
Accounts receivable (note 8(a)) Prepaid expenses and other Investment in lottery prize home Capital assets (note 3) Other assets Investments (note 4) Vancouver Foundation capital fund (note 5)			
Prepaid expenses and other Investment in lottery prize home Capital assets (note 3) Other assets Investments (note 4) Vancouver Foundation capital fund (note 5)	5	31,229	\$ 21,659
Investment in lottery prize home Capital assets (note 3) Other assets Investments (note 4) Vancouver Foundation capital fund (note 5)		2,446	3,357
Capital assets (note 3) Other assets Investments (note 4) Vancouver Foundation capital fund (note 5)		113 271	88 1,989
Other assets Investments (note 4) Vancouver Foundation capital fund (note 5)		34,059	27,093
Other assets Investments (note 4) Vancouver Foundation capital fund (note 5)		93	86
Vancouver Foundation capital fund (note 5)		401	337
		303,811	318,684
		1,443	1,928
Liabilities and Net Assets	5	339,807	\$ 348,128
Current liabilities:			
÷	5	7,068	\$ 7,278
of British Columbia (note 8(b))		119,746	146,694
Deferred revenue		320	374
		127,134	154,346
Net assets:			
Unrestricted fund		5,752	4,946
Internally restricted fund Capital fund		98,794 37	87,688 37
Externally restricted fund		4,404	4,154
Endowment fund		103,686	96,957
		212,673	193,782
Contingency (note 13)			
,			

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

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

Year ended March 31, 2018, with comparative information for 2017

		-		ernally restri	cted fu	unds	E	xternally						
	Unre	stricted fund	r	estricted fund	С	apital fund	r	estricted fund	Er	ndowment fund		2018		2017
Revenue:														
Fundraising	\$	32,334	\$	_	\$	_	\$	26,414	\$	1,349	\$	60,097	\$	63,111
Lottery	*	-	*	-	*	-	*	24,871	*	-	•	24,871	•	24,902
British Columbia Mental Health Foundation		-		-		-		´ -		-		· -		1,658
Sunshine Fund for Kids and Causes (note 7(b))		328		-		-		345		1,596		2,269		· -
Investment income (note 9)		14,016		-		-		5,237		-		19,253		11,506
Vancouver Foundation income (note 5)		513		-		-		237		29		779		819
Gross revenue		47,191		_		_		57,104		2,974		107,269		101,996
Gain on sale of lottery prize home		250		_		-		· -		· -		250		´ -
Cash surrender value adjustment on other assets		29		-		-		-		-		29		26
Net revenue		47,470		-		-		57,104		2,974		107,548		102,022
Expenses:														
Direct fundraising costs		12,937		-		-		-		-		12,937		11,962
Foundation administration		5,521		-		-		-		-		5,521		5,136
Lottery		-		-		-		16,535		-		16,535		16,602
Public relations and community awareness		2,628		-		-		-		-		2,628		2,635
		21,086		-		-		16,535		-		37,621		36,335
Excess of revenue over expenses before undernoted		26,384		_		-		40,569		2,974		69,927		65,687
Fair value adjustment on investments		(2,054)		-		-		-		1,701		(353)		20,633
Contributions provided to:														
Children's and Women's Health Centre of British Columbia (note 8(b))	((11,400)		-		-		(38,049)		(216)		(49,665)		(60,570)
Sunny Hill Foundation for Children (note 8(a)(i))		(813)		-		-		-		-		(813)		(406)
External grants		(205)		-		-		-		-		(205)		(210)
	((12,418)		-		-		(38,049)		(216)		(50,683)		(61,186)
Excess of revenue over expenses		11,912		-		-		2,520		4,459		18,891		25,134
Net assets, beginning of year		4,946		87,688		37		4,154		96,957		193,782		168,648
Interfund transfers (note 10)	((11,106)		11,106		-		(2,270)		2,270		-		-
Net assets, end of year	\$	5,752	\$	98,794	\$	37	\$	4,404	\$	103,686	\$	212,673	\$	193,782

See accompanying notes to financial statements.

Statement of Cash Flows (Expressed in thousands of dollars)

Year ended March 31, 2018, with comparative information for 2017

		2018		2017
Cash provided by (used in):				
Operating activities:				
Excess of revenue over expenses	\$	18,891	\$	25,134
Items not involving cash:				
Net realized gains on investments		(12,310)		(3,226)
Change in unrealized (gains) losses on investments		353		(20,633)
Gain on sale of lottery prize home		(250)		- 40
Amortization		25		10
Cash surrender value adjustment on other assets		(29)		(26)
		6,680		1,259
Changes in non-cash operating working capital:				
Accounts receivable		911		174
Prepaid expenses and other		(25)		32
Accounts payable and accrued liabilities		(210)		(101)
Due to Children's and Women's Health Centre of		(00.01-)		(40.040)
British Columbia		(29,217)		(43,340)
Deferred revenue		(54)		(121)
		(21,915)		(42,097)
Investing activities:				
Redemption of investments, net		29,333		42,907
Purchase of capital assets		(32)		(83)
Proceeds from sale of lottery prize home		2,240		-
Redemption of Vancouver Foundation capital fund		216		288
Purchase of investment in lottery prize home		(272)		(1,989)
		31,485		41,123
Increase (decrease) in cash		9,570		(974)
Cash, beginning of year		21,659		22,633
Cash, end of year	\$	31,229	\$	21,659
Supplementary information: Non-cash transactions: Life insurance policy and investments contributed by				_
Sunshine Fund for Kids and Causes (note 7(b))	\$	2.269	\$	_
Canonino i ana ioi mas ana Causes (note i (b))	Ψ	۷,200	Ψ	

See accompanying notes to financial statements.

Notes to Financial Statements

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

Year ended March 31, 2018

1. Nature of operations:

British Columbia's Children's Hospital Foundation (the "Foundation") is incorporated under the laws of British Columbia and 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.

Notes to Financial Statements (continued)

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

Year ended March 31, 2018

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 investment income 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 fund 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.

Notes to Financial Statements (continued)

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

Year ended March 31, 2018

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 Office equipment and furniture	3 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 the Vancouver Foundation capital fund, which include short-term deposits, notes, and investment certificates, bonds, and equities, 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.

Notes to Financial Statements (continued)

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

Year ended March 31, 2018

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 changes in net assets, 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 inkind 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, 2018, the Foundation recorded contributions of in-kind donations with a fair value of \$777,573 (2017 - \$846,660).

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, the value of 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.

Notes to Financial Statements (continued)

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

Year ended March 31, 2018

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:

				2018	2017
	Cost	Accum amorti	ulated ization	book value	book value
Computer equipment Office equipment and furniture	\$ 126 275	\$	126 182	\$ - 93	\$ - 86
	\$ 401	\$	308	\$ 93	\$ 86

4. Investments:

Investments are comprised of the following:

	2018	2017
Short-term deposits, notes and investment certificates Bonds Equities Private debt and infrastructure	\$ 113 83,744 217,667 2,287	\$ 272 127,435 190,977
	\$ 303,811	\$ 318,684

The yield for the year ended March 31, 2018, including realized gains and losses, was 6.26% (2017 - 4.27%), 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.

Notes to Financial Statements (continued)

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

Year ended March 31, 2018

4. Investments (continued):

Certain investments are restricted for endowments as follows:

	2018	2017
External, excluding Vancouver Foundation endowment Internal (a)	\$ 102,243 77,555	\$ 95,029 61,105
	\$ 179,798	\$ 156,134

⁽a) The internally restricted endowment of \$77,555,000 (2017 - \$61,105,000) 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, 2018 of approximately \$8,922,000 (2017 - \$9,423,000).

Of this \$8,922,000 (2017 - \$9,423,000), approximately \$1,443,000 (2017 - \$1,928,000) relates to the Children's Hospital Foundation Capital Fund (the "Capital Fund"). This Capital Fund is administered by the Foundation's Board of Directors. At the discretion of the Foundation's Board of Directors, 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 Foundation's Board of Directors. 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 \$7,479,000 (2017 - \$7,495,000) 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 \$277,000 (2017 - \$283,000), which includes amounts payable for payroll related taxes and contributions. At March 31, 2018, all federal payroll remittances payable are current.

Notes to Financial Statements (continued)

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

Year ended March 31, 2018

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 \$1,329,000 (2017 - \$1,309,000) 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		2018		2017
Total assets	\$	34,069	\$	36,335
Total liabilities	\$	5,920	\$	8,265
Net assets:				
Unrestricted fund		246		248
Capital fund		20,000		20,000
Internally restricted fund		1,234		1,403
Endowment fund		6,669		6,419
Endownion land		28,149		28,070
	\$	34,069	\$	36,335
Results of operations and changes in net assets		2018		2017
Revenue	\$	1,654	\$	21,721
Expenses	Ψ	(73)	Ψ	(62)
Fair value adjustment on investments		7		716
Contributions provided to Health Centre		(1,509)		(1,434)
·				<u>-</u>
Excess of revenue over expenses		79		20,941
Net assets, beginning of year		28,070		7,129
Net assets, end of year	\$	28,149	\$	28,070

Notes to Financial Statements (continued) (Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2018

7. Related entities (continued):

(b) 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 operated as a donor-advised fund that makes gifts to the Foundation and other Canadian qualified donees. SFKC ceased operations effective March 31, 2018 and is proceeding with deregistration subsequent to year-end. Prior to ceasing operations, SFKC contributed \$2,269,000 to the Foundation, comprised of \$35,000 of life insurance policies and \$2,234,000 of investments. In addition, \$404,000 of net unrealized gains were transferred as part of the investment portfolio. SFKC and the Foundation had an administrative services agreement whereby the Foundation provided administrative services to SFKC in order to support the carrying out of its purposes. No administration costs were charged to SFKC by the Foundation. All assets of SFKC were managed by the Foundation. SFKC has been 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	2018	2017
Total assets	\$ -	\$ 2,653
Total liabilities	\$ -	\$ 73
Net assets: Externally restricted fund Endowment fund	<u>-</u>	325 2,255
	-	2,580
	\$ -	\$ 2,653

Notes to Financial Statements (continued)

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

Year ended March 31, 2018

7. Related entities (continued):

(b) Sunshine Fund for Kids and Causes (continued):

Results of operations and changes in net assets		2018		2017
Revenue	\$	207	\$	141
Expenses	Ψ	(42)	Ψ	(32)
Fair value adjustment on investments		(51)		203
Contributions provided to:		, ,		
Foundation (note 8(a)(ii))		(2,673)		(39)
Other Canadian qualified donees		(21)		(11)
Excess of revenue over expenses		(2,580)		262
Net assets, beginning of year		2,580		2,318
Net assets, end of year	\$	-	\$	2,580

8. Related entity balances and transactions:

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

	2018	2017
Due from Sunny Hill (i) Due from SFKC (ii)	\$ 167 -	\$ 955 73
	\$ 167	\$ 1,028

- (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, 2018, the Foundation provided contributions to Sunny Hill in the amount of \$813,000 (2017 \$406,000).
- (ii) Under the administrative services agreement (note 7(b)), the Foundation managed the receipt of SFKC's gift revenue. During the year ended March 31, 2018, SFKC provided contributions of \$2,673,000 (2017 \$39,000) to the Foundation (note 7(b)).

Notes to Financial Statements (continued)

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

Year ended March 31, 2018

8. Related entity balances and transactions (continued):

(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, 2018, the Foundation made contributions to the Health Centre of \$49,665,000 (2017 - \$60,570,000). The amount due to the Health Centre as at March 31, 2018 of \$119,746,000 (2017 - \$146,694,000) consists of costs incurred by the Health Centre of \$20,401,000 (2017 - \$16,348,000), which are to be reimbursed by the Foundation, as well as contributions receivable from the Foundation of \$99,345,000 (2017 - \$130,346,000). The balance is non-interest bearing and has no specific repayment terms. The \$99,345,000 (2017 - \$130,346,000) 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, 2018 with a fair value of approximately \$813,000 (2017 - \$772,000) 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:

	2018	2017
Interest and dividends Net realized gains on investments	\$ 6,943 12,310	\$ 8,280 3,226
	\$ 19,253	\$ 11,506

Notes to Financial Statements (continued) (Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2018

10. Interfund transfers:

2018	Unrestricted fund		Internally restricted funds ^(a)		Externally restricted fund	Endowment fund	
Recapitalization of investment income from unrestricted fund to Internally restricted fund Recapitalization of investment income	\$	(1,160)	\$	1,160	\$ -	\$	-
from externally restricted fund to endowment fund		-		-	(1,906)		1,906
Sundry grants transferred to endowment fund Internal restriction of fair value		-		-	(364)		364
adjustment on investments Approved internal transfer to operating		2,054		(2,054)	-		-
endowment		(5,000)		5,000	-		-
Approved internal transfer to endowment fund		(7,000)		7,000	-		-
	\$	(11,106)	\$	11,106	\$ (2,270)	\$	2,270

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 Internal restriction of fair value		-		-		(99)		99
adjustment on investments		(13,153)		13,153		-		-
	\$	2,512	\$	(2,512)	\$	(216)	\$	216

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

Notes to Financial Statements (continued) (Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2018

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 equity instruments and funds 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. There has been no change in the risk exposure from 2017.

12. Employee pension plan:

The Foundation and its employees contribute to the Municipal Pension Plan ("Plan"), a jointly trusteed 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 193,000 (2017 - 188,000) active members and approximately 90,000 (2017 - 85,000) retired members. Active members include approximately 109 (2017 - 110) 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 \$792,000 (2017 - \$756,000) for employer contributions to the Plan in fiscal 2018.

Notes to Financial Statements (continued) (Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended March 31, 2018

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, 2018, 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, 2018, the Foundation paid total remuneration of \$2,166,000 (2017 - \$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.