

Financial Statements  
(Expressed in thousands of dollars)

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

And Independent Auditors' Report thereon  
Year ended March 31, 2022



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of British Columbia's Children's Hospital Foundation

### Report on the Audit of Financial Statements

#### *Opinion*

We have audited the financial statements of British Columbia's Children's Hospital Foundation (the "Foundation"), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2022, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **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 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 period.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Vancouver, Canada  
June 16, 2022

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Statement of Financial Position  
(Expressed in thousands of dollars)

March 31, 2022, with comparative information for 2021

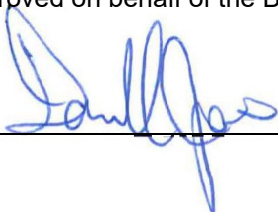
	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 3)	\$ 15,456	\$ 59,582
Accounts receivable	813	746
Prepaid expenses and other	205	252
Investment in lottery prize homes (note 4)	5,610	-
	22,084	60,580
Capital assets (note 5)	20,372	20,231
Other assets	540	487
Investments (note 6)	490,187	383,705
Vancouver Foundation endowment investments (note 7)	1,797	1,745
	\$ 534,980	\$ 466,748

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 8,150	\$ 7,244
Due to BC Children's Hospital, a program of Provincial Health Services Authority (note 9)	239,745	203,784
Deferred revenue (note 5(a))	1,127	1,081
	249,022	212,109
Net assets:		
Unrestricted fund	2,526	7,733
Internally restricted fund	120,533	110,205
Externally restricted fund	4,952	3,351
Endowment fund	157,947	133,350
	285,958	254,639
Commitments (notes 4 and 6)		
Contingency (note 14)		
	\$ 534,980	\$ 466,748

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, 2022, with comparative information for 2021

	Unrestricted fund		Internally restricted fund		Externally restricted fund		Endowment fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue:										
Fundraising	\$ 36,232	\$ 33,322	\$ -	\$ -	\$ 43,599	\$ 27,589	\$ 2,722	\$ 401	\$ 82,553	\$ 61,312
Direct fundraising costs	12,267	10,499	-	-	-	-	-	-	12,267	10,499
Net fundraising	23,965	22,823	-	-	43,599	27,589	2,722	401	70,286	50,813
Lottery	-	-	-	-	28,251	25,859	-	-	28,251	25,859
Lottery costs	-	-	-	-	13,860	13,747	-	-	13,860	13,747
Net lottery	-	-	-	-	14,391	12,112	-	-	14,391	12,112
Total net revenue	23,965	22,823	-	-	57,990	39,701	2,722	401	84,677	62,925
Investment income (note 6)	26,483	45,248	-	-	6,180	6,242	3,882	18,985	36,545	70,475
Vancouver Foundation income (note 7)	323	324	-	-	260	258	11	11	594	593
Gain on lottery prize homes	-	22	-	-	-	-	-	-	-	22
Cash surrender value adjustment on other assets	53	31	-	-	-	-	-	-	53	31
Other income (note 10)	10,012	2,528	-	-	-	-	-	-	10,012	2,528
Net revenue, including investment and other income	60,836	70,976	-	-	64,430	46,201	6,615	19,397	131,881	136,574
Expenses:										
General and administrative	9,494	8,268	-	-	-	-	-	-	9,494	8,268
Excess of revenue over expenses before grants and charitable activity	51,342	62,708	-	-	64,430	46,201	6,615	19,397	122,387	128,306
Grants and charitable activity (note 9)	36,421	58,421	-	-	54,627	48,603	20	-	91,068	107,024
Excess (deficiency) of revenue over expenses	14,921	4,287	-	-	9,803	(2,402)	6,595	19,397	31,319	21,282
Net assets, beginning of year	7,733	6,100	110,205	107,551	3,351	6,217	133,350	113,489	254,639	233,357
Interfund transfers (note 11)	(20,128)	(2,654)	10,328	2,654	(8,202)	(464)	18,002	464	-	-
Net assets, end of year	\$ 2,526	\$ 7,733	\$ 120,533	\$ 110,205	\$ 4,952	\$ 3,351	\$ 157,947	\$ 133,350	\$ 285,958	\$ 254,639

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, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 31,319	\$ 21,282
Items not involving cash:		
Net realized gains on investments	(13,062)	(5,949)
Change in unrealized gain on investments	(14,210)	(55,894)
Gain on lottery prize homes	-	(22)
Amortization of capital assets	103	68
Cash surrender value adjustment on other assets	(53)	(31)
Purchase of lottery prize homes	(5,610)	-
Proceeds from sale of lottery prize home	-	1,180
	(1,513)	(39,366)
Changes in non-cash operating working capital:		
Accounts receivable	(67)	1,386
Prepaid expenses and other	47	108
Accounts payable and accrued liabilities	906	(968)
Due to BC Children's Hospital	35,961	42,583
Deferred revenue	46	(23)
	35,380	3,720
Investing activities:		
Net (purchase) disposition of investments	(79,262)	23,292
Purchase of capital assets	(244)	(95)
	(79,506)	23,197
Increase (decrease) in cash and cash equivalents	(44,126)	26,917
Cash and cash equivalents, beginning of year	59,582	32,665
Cash and cash equivalents, end of year	\$ 15,456	\$ 59,582

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, 2022

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## 1. Nature of operations:

British Columbia's Children's Hospital Foundation (the "Foundation" or "BCCHF") is incorporated and registered under the Societies Act (British Columbia).

The Foundation promotes the development of child health care, in particular at the BC Children's Hospital, a program of the Provincial Health Services Authority (the "Hospital"), by providing financial support for the development of research, patient care and education, and the purchase of equipment.

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.

On June 30, 2020, the Foundation amalgamated with Sunny Hill Foundation for Children ("Sunny Hill"). The primary purpose of Sunny Hill was to further the aims of the Sunny Hill Health Centre for Children, which is part of the Hospital, by raising funds, managing investments and allocating resources in support of clinical services, research and education for the benefit of child health. Sunny Hill's purpose continues to be carried on by the Foundation.

## 2. Significant accounting policies:

These 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, 2022

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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 of donations and grants that are not specifically designated by donors or funders, 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 donors to donors.

#### (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, net unrealized gains/losses on unrestricted investments and the Slocan lands. The investment income earned on the endowment 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) 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 clinical research, patient care and other designated areas of the Foundation's support contribution activities.

#### (iv) 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.

### (b) Cash and cash equivalents:

Cash and cash equivalents include cash held in bank accounts and cashable guaranteed investment certificates which are redeemable at any time for a known amount of cash and are subject to an insignificant risk of changes in 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, 2022

## 2. Significant accounting policies (continued):

### (c) 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, or the value of future economic benefits or service potential associated with the asset is less than its net carrying amount, the excess of its carrying amount over its fair value or replacement cost will be recognized as an expense in the statement of operations and changes in net assets. Capital assets, excluding land, 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

### (d) 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.

### (e) 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, including the Vancouver Foundation endowment, 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, 2022

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## 2. Significant accounting policies (continued):

(f) Contributions to BC Children's Hospital:

Contributions provided to the Hospital as recorded within the statement of operations and changes in net assets, and the resulting amount due to the Hospital on the statement of financial position, represent a non-reciprocal, irrevocable obligation of the Foundation.

(g) Deferred revenue:

Deferred revenue represents sponsorship monies received in advance of related events, externally restricted contributions for which an externally restricted fund does not exist and prepaid lease payments related to a third party lease of the Foundation's land (note 5(a)). Lease revenue is recognized ratably over the lease term as rental services are provided.

(h) Contributed materials and services:

The Foundation does not recognize contributions of materials in the financial statements.

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.

(i) 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.

(j) Employee future benefits:

The employees of the Foundation are members of a multi-employer defined benefit plan and accordingly, contributions are expensed as incurred (note 13).

(k) Investment in lottery prize homes:

Investment in lottery prize homes is recorded at the cost of acquisition. At each reporting date, the investment in lottery prize homes 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, 2022

## 2. Significant accounting policies (continued):

(l) 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) General and administrative expenses:

All expenses related to general management, administrative activities, public relations and community awareness are expensed in the period in which they are incurred as general and administrative expenses. These expenses are not allocated to direct fundraising costs related to fundraising and event activities.

## 3. Restricted cash and cash equivalents:

Included in cash and cash equivalents is \$9,216,000 (2021 - \$7,902,000) that is restricted for the Foundation's lotteries as required under the BC Gaming licences.

## 4. Investment in lottery prize homes:

In fiscal 2022, the Foundation acquired a total of six residential homes, two completed and four under construction, to be used as prizes for its lotteries (2021 - nil). Consideration paid for the completed homes and deposits on the homes under construction totalled \$5,610,000 with committed amounts still to be paid of \$4,441,000 in the next fiscal year upon completion. The homes will be transferred to the winners of the lotteries if they select the prize option that includes the property. If the winner selects another prize option, the home will be used as a prize in a future lottery or will be sold if it is deemed to be no longer suitable for use in future lotteries. There were no prize homes sold in fiscal 2022 (2021 - one prize home sold for total proceeds of \$1,180,000 and a gain of \$22,000).

## 5. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Land (a)	\$ 20,000	\$ -	\$ 20,000	\$ 20,000
Computer equipment	266	64	202	60
Office equipment and furniture	401	231	170	171
	\$ 20,667	\$ 295	\$ 20,372	\$ 20,231

# 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, 2022

## 5. Capital assets (continued):

(a) On January 30, 2017, land located in Vancouver was gifted to Sunny Hill with a fair value of \$20,000,000. The land is encumbered by an option to purchase the land by the City of Vancouver for a specified amount that is exercisable if the land is no longer exclusively used for specified purposes. The option to purchase is subject to expiry based on defined conditions. The Foundation's Board of Directors has internally restricted the land for future redevelopment to meet the needs of children with complex health needs.

A portion of the land was leased to a third party for a 40-year term that commenced on August 13, 1998 for a total lease payment of \$500,000, which was recorded in deferred revenue. The prepaid lease amount is recognized in revenue ratably over the 40-year term. As at March 31, 2022, the deferred lease revenue was \$340,000 (2021 - \$353,000).

## 6. Investments:

Investments held at fair value are comprised of the following:

	2022	2021
Short-term deposits, notes and investment certificates	\$ 59,521	\$ 386
Bonds	64,002	73,891
Mortgages	39,960	13,464
Equities (a)	224,613	239,229
Private debt, infrastructure and real estate	102,091	56,735
	<u>\$ 490,187</u>	<u>\$ 383,705</u>

(a) Included in equities is a trade initiated prior to the fiscal 2022 year-end and settled in fiscal 2023 for the purchase of \$10,500,000 of equities (2021 - nil).

The Foundation has unfunded investment commitments relating to private debt, infrastructure and real estate investments that can be drawn on demand. The unfunded investment commitments are as follows:

	2022	2021
U.S. dollars	\$ 19,107	\$ 13,944
Canadian dollars	12,526	12,379

# 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, 2022

## 6. Investments (continued):

Certain investments are restricted for endowments as follows:

	2022	2021
External	\$ 156,150	\$ 131,605
Internal (b)	78,653	77,540
	<u>\$ 234,803</u>	<u>\$ 209,145</u>

(b) The internally restricted endowments of \$78,653,000 (2021 - \$77,540,000) are presented within the internally restricted fund in net assets.

Investment income is comprised of the following:

	2022	2021
Interest and dividends	\$ 10,957	\$ 9,981
Net realized gains on investments	13,062	5,949
Fair value adjustment on investments	14,210	55,894
Investment manager fees	(1,684)	(1,349)
	<u>\$ 36,545</u>	<u>\$ 70,475</u>

## 7. Vancouver Foundation funds:

The Foundation holds restricted endowment funds with Vancouver Foundation that have market value totaling \$11,099,000 (2021 - \$10,775,000), of which \$1,797,000 (2021 - \$1,745,000) can be withdrawn subject to a maximum of 20% per year may be withdrawn with the approval of two-thirds of the Board of the Foundation. The endowment balance cannot be reduced below \$10,000. The balance has been presented as a non-current asset in these financial statements.

During the year ended March 31, 2022, the Foundation recorded a net unrealized gain of \$138,000 (2021 - \$254,000) related to the change in the fair value of the Foundation's investments held at Vancouver Foundation. This amount is included in investment income on the statement of operations and changes in net assets.

## 8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$461,000 (2021 - \$335,000), which includes amounts payable for payroll related taxes and contributions. At March 31, 2022, 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, 2022

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## 9. BC Children's Hospital:

Contributions provided to the Hospital as recorded within the statement of operations and changes in net assets represent a non-reciprocal, irrevocable obligation of the Foundation. During the year ended March 31, 2022, the Foundation made contributions to the Hospital of \$88,992,000 (2021 - \$107,024,000). The amount due to the Hospital as at March 31, 2022 of \$239,745,000 (2021 - \$203,784,000) consists of costs incurred by the Hospital of \$14,126,000 (2021 - \$15,427,000), which are to be reimbursed by the Foundation, as well as contributions receivable from the Foundation of \$225,619,000 (2021 - \$188,357,000). The balance is non-interest bearing and has no specific repayment terms. The \$225,619,000 (2021 - \$188,864,000) is moved to a designated fund and is paid out as the Hospital draws down on the funds as spent.

The Foundation has its main office located in premises provided on a rent-free basis by the Hospital. Rent for the year ended March 31, 2022 with a fair value of approximately \$822,000 (2021 - \$795,000) 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 Hospital, 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. Other income:

During the fiscal year ended March 31, 2022, the Foundation received \$10,000,000 from the Provincial Health Services Authority to support the Child Health BC program at the Hospital, which have been recognized in the statement of operations and changes in net assets as part of other income.

Due to the COVID-19 pandemic, the Canadian government introduced the Canada Emergency Wage Subsidy ("CEWS") to assist eligible organizations who had lost a certain percentage of their qualifying revenue. No claims were made in fiscal 2022 (2021 - \$2,516,000).

# 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, 2022

## 11. Interfund transfers:

	Unrestricted fund	Internally restricted funds	Externally restricted fund	Endowment fund
<b>2022</b>				
Recapitalization of investment income from externally restricted fund to endowment fund	\$ -	\$ -	\$ (172)	\$ 172
Sundry grants transferred to endowment fund	-	-	(8,030)	8,030
Internal restriction of fair value adjustment on investments	(10,328)	10,328	-	-
Approved transfer from unrestricted to endowment fund	(9,800)	-	-	9,800
	\$ (20,128)	\$ 10,328	\$ (8,202)	\$ 18,002
<b>2021</b>				
Recapitalization of investment income from externally restricted fund to endowment fund	\$ -	\$ -	\$ (183)	\$ 183
Sundry grants transferred to endowment fund	-	-	(281)	281
Internal restriction of fair value adjustment on investments	(36,909)	36,909	-	-
Approved transfer from internally restricted endowment fund	34,255	(34,255)	-	-
	\$ (2,654)	\$ 2,654	\$ (464)	\$ 464

## 12. Financial risks:

### (a) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements, including fulfilling obligations in its contributions to the Hospital. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.



# 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, 2022

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## 12. Financial risks (continued):

### (b) Credit risk:

Credit risk is the risk of financial loss to the Foundation if a counterparty to a financial instrument fails to meet its contractual obligations. The Foundation's investments in guaranteed investment certificates, income funds and equities are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value. The Foundation manages the risk by retaining professional investment counselors who act in accordance with the Foundation's investment policies. These policies include asset mix guidelines and minimum investment grade levels for each asset class.

Cash and cash equivalents are held with major banks and therefore not exposed to significant credit risk. Other credit risks can arise from holding receivables which are generally not material and as such the credit risk is minimal.

### (c) Market risks:

Market risks include price and interest rate risks. Price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation is exposed to this risk as a result of investments which are subject to risks arising from changes in market conditions.

The Foundation's fixed-rate instruments are subject to fair value risks while floating rate instruments are subject to cash flow risks. The Foundation is exposed to interest rate risks as a result of investments in bonds and short-term deposits, notes and investment certificates.

### (d) Currency risks:

Investments in foreign securities are exposed to currency risk due to the fluctuations in foreign exchange rates. The Foundation is exposed to this risk as a result of foreign currency denominated investments.

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Investment Objectives and Policies approved by the Board. The risks associated with investments are managed through the Foundation's established investment policy.

# 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, 2022

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## 13. Employee pension plan:

The Foundation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteesd 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 220,000 active members and approximately 112,000 retired members. Active members include approximately 109 (2021 - 115) employees of the Foundation.

The most recent actuarial valuation as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits. The next valuation will be as at December 31, 2021 with results available in the fall of 2022. 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 \$961,000 (2021 - \$967,000) for employer contributions to the Plan in fiscal 2022.

## 14. Contingency:

On May 26, 2014, the Hospital, entered into a Lease Agreement (the "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 (the "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 Hospital 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, 2022, the ultimate amount of the payment cannot be reasonably estimated. Hence no amount has been recorded with respect to this contingency.

## 15. Employee, contractor and director remuneration:

For the year ended March 31, 2022, the Foundation paid total remuneration of \$3,013,000 (2021 - \$2,279,000) 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 any members of 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, 2022

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## **16. Comparative information:**

Certain comparative information has been reclassified to conform to this year's financial statement presentation. These reclassifications do not impact the excess (deficiency) of revenue over expenses reported in the prior year.