

Financial Statements of

VGH & UBC HOSPITAL FOUNDATION

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Members of the VGH & UBC Hospital Foundation

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of VGH & UBC Hospital Foundation (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations and changes in fund balances 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 Entity as at March 31, 2020, 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 Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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 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 period, other than the adoption of the accounting standards on Collections with respect to donated assets as explained in Note 2 (i).

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 23, 2020

VGH & UBC HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,741,895	\$ 13,299,048
Portfolio investments (note 5)	177,023,198	190,176,015
Long-term investment - preferred shares (note 7)	1,500,000	1,500,000
Accounts receivable and prepaids (note 6)	1,784,456	2,015,436
Investments in prize homes (note 15)	1,560,167	3,160,167
	<u>194,609,716</u>	<u>210,150,666</u>
Capital assets (note 8)	498,299	656,597
Restricted cash and cash equivalents	10,187,453	8,541,078
Long-term investment - preferred shares (note 7)	16,584,000	17,636,000
Donated assets (note 2(i))	6,865,981	6,218,368
Endowment investments (note 9(a))	84,726,002	86,066,798
Vancouver Foundation investments (note 9(b))	553,984	515,860
	<u>\$ 314,025,435</u>	<u>\$ 329,785,367</u>

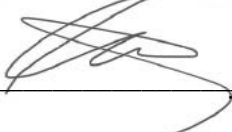
Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 3,068,643	\$ 2,553,595
Due to Vancouver Coastal Health Authority (note 10)	4,614,784	6,134,430
	<u>7,683,427</u>	<u>8,688,025</u>
Fund Balances:		
General Fund:		
Invested in capital assets (note 8)	498,299	656,597
Vancouver Foundation Endowment Fund (note 9(b))	553,984	515,860
Unrestricted	52,426,182	54,391,643
	<u>53,478,465</u>	<u>55,564,100</u>
Restricted Funds:		
Endowment (note 9(a))	84,726,002	86,066,798
Specific Purpose	168,137,541	179,466,444
	<u>252,863,543</u>	<u>265,533,242</u>
	<u>306,342,008</u>	<u>321,097,342</u>
	<u>\$ 314,025,435</u>	<u>\$ 329,785,367</u>

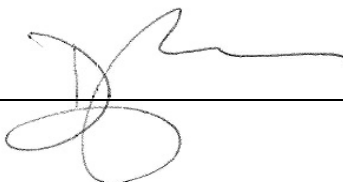
Impact of COVID-19 (note 19)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

VGH & UBC HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2020, with comparative information for 2019

	General Fund		Restricted Funds - Endowment		Restricted Funds - Specific Purpose		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenue:								
Donations	\$ 5,429,573	\$ 6,785,120	\$ 2,792,626	\$ 6,485,398	\$ 31,930,478	\$ 42,449,279	\$ 40,152,677	\$ 55,719,797
Lotteries	-	-	-	-	24,207,883	22,335,330	24,207,883	22,335,330
Other fundraising	1,327,303	1,522,599	-	-	2,382,222	2,273,918	3,709,525	3,796,517
Portfolio investment income (note 13)	4,964,385	3,396,469	4,176	3,488	5,067,027	3,823,480	10,035,588	7,223,437
Other income (expense) (note 14)	5,888,483	6,422,414	-	-	(1,462,058)	(938,166)	4,426,425	5,484,248
	17,609,744	18,126,602	2,796,802	6,488,886	62,125,552	69,943,841	82,532,098	94,559,329
Expenses:								
Foundation operations	10,289,643	9,005,629	-	-	-	-	10,289,643	9,005,629
Community awareness and public engagement	1,131,168	1,112,032	-	-	-	-	1,131,168	1,112,032
	11,420,811	10,117,661	-	-	-	-	11,420,811	10,117,661
Lotteries	-	-	-	-	17,233,325	16,931,433	17,233,325	16,931,433
Other fundraising	1,099,763	1,383,001	-	-	236,811	174,552	1,336,574	1,557,553
Transfer to qualified donees (note 3)	-	-	-	-	200,000	16,667	200,000	16,667
Grants to Vancouver Coastal Health Authority:								
Equipment and capital projects	772,645	400,000	-	-	32,394,130	17,362,021	33,166,775	17,762,021
Education, research, patient care and other	1,156,421	573,090	-	-	23,839,731	22,092,710	24,996,152	22,665,800
	1,929,066	973,090	-	-	56,233,861	39,454,731	58,162,927	40,427,821
	14,449,640	12,473,752	-	-	73,903,997	56,577,383	88,353,637	69,051,135
Excess (deficiency) of revenue over expenses before change in fair value of investments	3,160,104	5,652,850	2,796,802	6,488,886	(11,778,445)	13,366,458	(5,821,539)	25,508,194
Change in fair value of investments (note 2(d))	(2,874,445)	3,030,971	(6,059,350)	2,100,776	-	-	(8,933,795)	5,131,747
Excess (deficiency) of revenue over expenses	285,659	8,683,821	(3,262,548)	8,589,662	(11,778,445)	13,366,458	(14,755,334)	30,639,941
Interfund transfers (note 4)	(2,371,294)	(1,164,163)	1,921,752	1,248,664	449,542	(84,501)	-	-
Net increase (decrease) in fund balances	(2,085,635)	7,519,658	(1,340,796)	9,838,326	(11,328,903)	13,281,957	(14,755,334)	30,639,941
Fund balances, beginning of year	55,564,100	48,044,442	86,066,798	76,228,472	179,466,444	166,184,487	321,097,342	290,457,401
Fund balances, end of year	\$ 53,478,465	\$ 55,564,100	\$ 84,726,002	\$ 86,066,798	\$ 168,137,541	\$ 179,466,444	\$ 306,342,008	\$ 321,097,342

See accompanying notes to financial statements.

VGH & UBC HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (14,755,334)	\$ 30,639,941
Items not involving cash:		
Change in fair value of investments	8,933,795	(5,131,747)
Change in fair value of preferred shares	(448,000)	(815,000)
Amortization	278,569	293,197
Impairment of prize home	-	181,022
Donated assets	(647,613)	(1,002,424)
Gain on disposal of investments	(1,757,172)	(439,749)
Loss on sale of prize home	154,998	-
Management fees on investments	468,375	444,477
Receipt of investments as donations	(5,171,321)	(9,866,817)
	(12,943,703)	14,302,900
Proceeds on sale of prize home	1,445,002	-
	(11,498,701)	14,302,900
Changes in non-cash operating items:		
Accounts receivable and prepaids	230,980	(87,344)
Accounts payable and accrued liabilities	515,048	(390,111)
Due to Vancouver Coastal Health Authority	(1,519,646)	1,432,568
	(12,272,319)	15,258,013
Investing:		
Reinvestment of investment income	(7,922,395)	(6,532,676)
Proceeds on redemption of preferred shares	1,500,000	1,500,000
Proceeds on sale of investments	3,885,847	9,284,510
Sale (purchase) of portfolio investments	16,018,360	(16,371,489)
Change in restricted cash and cash equivalents	(1,646,375)	(325,189)
Purchase of capital assets	(120,271)	(188,703)
	11,715,166	(12,633,547)
Increase (decrease) in cash and cash equivalents	(557,153)	2,624,466
Cash and cash equivalents, beginning of year	13,299,048	10,674,582
Cash and cash equivalents, end of year	\$ 12,741,895	\$ 13,299,048

See accompanying notes to financial statements.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

1. Organization:

The VGH & UBC Hospital Foundation (the "Foundation") was incorporated in 1980 and is registered under the Societies Act (British Columbia).

The Foundation is an independent charitable organization with a principal purpose to raise funds for furthering the interests and objectives of Vancouver Acute (Vancouver General Hospital, UBC Hospital, GF Strong Rehab Centre, Vancouver Coastal Health Research Institute and related Health Care operations), (the "Hospital"), a component of Vancouver Coastal Health Authority ("VCHA"), in its mission of patient care, teaching and research.

2. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CICA Handbook - *Accounting* and include the following significant accounting policies:

(a) Revenue recognition and fund accounting:

The Foundation follows the restricted fund method of accounting for contributions, thereby recognizing restrictions specified by donors on the use of resources, including contributions and restricted investment income. The fund classifications are:

(i) General Fund:

Donations not specifically designated by donors, unrestricted investment income, unrestricted investment income on specific purpose funds, unrestricted current fundraising event proceeds, administrative fees charged to restricted gifts and events, and amounts held by the Vancouver Foundation but available for withdrawal (note 2(a)(ii)), are allocated to the General Fund. Administrative costs pertaining to the Foundation are primarily funded through the General Fund, with the remainder financed through investment income of certain Specific Purpose Funds.

(ii) Restricted Funds:

Restricted Funds relate to research, patient care, education, equipment and facility initiatives. Specific Purpose Funds relate to funds specifically designated by donors, current fundraising event proceeds, as well as restricted investment income earned on Endowment Funds.

Contributions of irrevocable charitable remainder trusts are recognized as revenue in Specific Purpose Funds - Other in the year of the contribution at their fair value as determined by an actuary. In subsequent years, they are recorded at amortized cost which approximates fair value.

Administration fees charged to restricted gifts and events are recorded in other income in the general fund at the time the related gifts are received or at the time the event has been completed.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(a) Revenue recognition and fund accounting (continued):

(ii) Restricted Funds (continued):

Endowment Funds represent funds that are permanently restricted either by the donor or internally by the Foundation; encroachment of capital can only occur in accordance with the endowment agreement or Board policy, as applicable.

Contributions for endowment are recognized as revenue in the endowment funds.

(b) Accrual basis:

The accrual basis of accounting is used for reporting revenue when the amount to be received can be reasonably estimated and collection is reasonably assured. Donations and grants are generally recorded on a cash basis.

(c) Deferred revenue:

Deferred revenue represents sponsorship monies received in advance of related events.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and 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 at fair value with changes in fair values recognized in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction and financing costs incurred on acquisition, which are amortized using the straight-line method.

Financial assets recorded 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.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(e) Cash and cash equivalents:

Cash and cash equivalents and restricted cash and cash equivalents consist of cash and highly liquid investments with major financial institutions that are readily convertible to contracted amounts of cash and with maturities at the date of acquisition of less than three months. Restricted cash and cash equivalents are comprised of funds earned under lottery licenses issued by the Gaming Policy and Enforcement Branch to be used for specific purposes.

(f) Parkade Trust:

The Foundation has a controlling interest in 578583 B.C. Ltd., the bare trustee of the VGH Parkade Trust (the "Trust") (note 12). The Trust distributes the net revenue derived from the operation of the VGH's parking lot facility to the Foundation and is recorded as revenue in the general fund. The Foundation does not consolidate 578583 B.C. Ltd. or the Trust's financial statements. Accordingly, the assets, liabilities, revenue and expenses of these entities are not included in the Foundation's financial statements.

(g) Investments in prize homes:

Investments in prize homes is recorded at the cost of acquisition. At each reporting date, the investments in 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.

(h) Capital assets:

Capital assets are recorded at cost less accumulated amortization. When a capital asset no longer contributes to the Foundation's ability to provide services, the excess of the net carrying amount over the fair value or replacement cost is recognized as an expense in the statement of operations. Amortization is provided using the straight-line method over the estimated useful life, with amortization taken in the year the assets are put into use, as follows:

Asset	Years
Furniture and fixtures	5
Computer equipment	3

(i) Donated assets and adoption of accounting standards:

Donated assets consist primarily of donated artwork. Donated assets are recorded at the appraised value at the date of receipt and are not depreciated. Donated artwork is used for display throughout the hospital to enhance the environment for the benefit of patients, their families, staff and visitors.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(i) Donated assets and adoption of accounting standards (continued):

During fiscal 2020, the Foundation implemented the Art Collection Management policy over the management and care of the collection of artwork which qualifies the assets to meet the definition for accounting purposes as a Collection under ASNPO *Section 4441, Collections held by not-for-profit organizations*. The accounting standards define a collection and directs organization to record such assets on the statement of financial position at either cost or nominal value. For contributed collection, cost is deemed to be fair value at the date of contribution. When the cost cannot be reasonably determined for a contributed item, the item shall be recorded at nominal value. In addition, collections are to be written down when there is evidence that the carrying amount exceed fair value. The adoption of the accounting standards had no impact on the financial statements.

(j) 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.

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

(k) Income taxes:

The Foundation is a charitable organization registered under the Income Tax Act and, as such, is exempt from income and capital taxes and is able to issue donation receipts for income tax purposes.

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant areas of estimation include the valuation of the long-term investments held in preferred shares. Actual results could differ from these estimates.

(m) Affiliated entities:

The Society does not consolidate the financial statements of VGH & UBC Hospital Foundation Hong Kong Ltd. and Friends of VGH & UBC Hospital Foundation, two affiliated entities (notes 15 and 16).

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

3. Transfer to qualified donees:

In the current year, a transfer to a qualified donee, Villa Cathay Care Home Society, in the amount of \$200,000 was made in accordance with directions from the donor. During 2019, there was a transfer to a qualified donee, St. Paul's Hospital Foundation of Vancouver for \$16,667.

4. Interfund transfers:

To meet the objectives of financial reporting and stewardship over the general, endowment and specific purpose funds, transfers between the funds are made when it is considered appropriate and approved by either the donor or the Board. These interfund transfers are recorded in the statement of operations and changes in fund balances.

5. Portfolio investments:

Investments are comprised of the following:

	2020	2019
Canadian money market funds	\$ 14,830,764	\$ 19,958,193
Canadian fixed income funds	122,960,350	130,184,840
Canadian equity funds	39,263,865	42,108,856
Canadian real estate funds	47,905,504	42,995,031
Global equity funds	36,388,717	40,595,893
Private shares	400,000	400,000
Endowment investments (note 9)	(84,726,002)	(86,066,798)
	<u>\$ 177,023,198</u>	<u>\$ 190,176,015</u>

As at March 31, 2020, the Foundation has a Guaranteed Investment Certificate, in the amount of \$5,500,000 (2019 - \$5,500,000), to comply with the requirements of the Gaming Policy and Enforcement Branch for the purchase of prizes for upcoming lotteries. The amount is included in the Canadian money market funds balance.

6. Accounts receivable and prepaid:

	2020	2019
Parkade Trust (note 12)	\$ 464,877	\$ 571,113
Prepaid expenses	223,090	472,430
Sales tax rebates	857,791	750,760
Other	238,698	221,133
	<u>\$ 1,784,456</u>	<u>\$ 2,015,436</u>

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

7. Investment in preferred shares at fair value:

	2020	2019
Donated preferred shares, opening balance	\$ 19,136,000	\$ 19,821,000
Fair value adjustment in year	448,000	815,000
Less redemption in year	(1,500,000)	(1,500,000)
Donated preferred shares, ending balance	18,084,000	19,136,000
Current portion	(1,500,000)	(1,500,000)
Long-term portion	\$ 16,584,000	\$ 17,636,000

On September 15, 2017, the Foundation received a donation of preferred shares of a private entity. These shares will be redeemed over a nine year period, once per year, at predetermined amounts totaling \$22,500,000. The preferred shares were recorded at their appraised fair value at the time of donation and are remeasured annually based on the estimated discounted present value of the expected future redemption amounts to be received. As \$1,500,000 is scheduled to be redeemed in the next fiscal year, this amount has accordingly been classified as current investments (2019 - \$1,500,000).

8. Capital assets and net assets invested in capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 1,396,190	\$ (949,284)	\$ 446,906	\$ 631,106
Computer equipment	113,593	(62,200)	51,393	25,491
	\$ 1,509,783	\$ (1,011,484)	\$ 498,299	\$ 656,597

Changes in net assets invested in capital assets are as follows:

	2020	2019
Opening balance	\$ 656,597	\$ 761,091
Amortization	(278,569)	(293,197)
Additions	120,271	188,703
Ending balance	\$ 498,299	\$ 656,597

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Endowment funds:

(a) The Foundation holds endowment funds for purposes as outlined below:

	2020	2019
Specific Purpose (note 2(a)(ii)):		
Education	\$ 3,804,603	\$ 4,030,968
Equipment	147,355	157,027
Patient care	1,089,500	303,293
Research	71,902,430	74,775,313
Other	7,782,114	6,800,197
	<u>\$ 84,726,002</u>	<u>\$ 86,066,798</u>

(b) Under an agreement with the Vancouver Foundation, an Endowment Fund, managed by the Vancouver Foundation, was established in 1981. The original \$475,100 capital of the Vancouver Foundation Endowment Fund consists of \$260,000 contributed by the Foundation, \$210,000 contributed by the Vancouver Foundation and \$5,100 received from other contributors. Subsequent to the initial capital, \$31,405 has been received from other contributors.

The Vancouver Foundation Endowment Fund is invested in the Vancouver Foundation's pooled investment balanced fund. At March 31, 2020, the fund has a fair value of \$843,913 (2019 - \$926,869), of which \$553,984 (2019 - \$515,860) is available for withdrawal by the Foundation.

Any income distributed from the fund is recognized as investment income in the General Fund.

The rights of withdrawal from this Fund, in any particular year, are restricted to 20% of the units representing the portion of the Fund's balance accumulated through the Foundation's contributions, provided such contributions have been a part of the Fund for at least 10 years. The amount contributed by the Vancouver Foundation is not available to be withdrawn by the Foundation. Currently, all amounts in this endowment fund contributed by the Foundation have been held for the minimum ten-year period and are thus eligible for withdrawal at 20% per year. However, of the initial capital contribution made by the Foundation, \$10,000 is excluded from the amount subject to withdrawal as it is to be retained permanently by the Vancouver Foundation. No withdrawals have been made as of March 31, 2020 (2019 - nil).

10. Due to Vancouver Coastal Health Authority:

The amount due to VCHA relates to unpaid, non-reciprocal, irrevocable obligations for qualifying expenditures made by VCHA. The amount is without interest or specific terms of maturity.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

11. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$157,953 (2019 - \$118,284), which includes amounts payable for payroll related taxes and contributions. At March 31, 2020, all federal payroll remittances payable are current.

12. VGH Parkade Trust:

The Trust was created by agreement between the Vancouver Coastal Health Authority ("VCHA") and the Foundation. The current agreement expires March 29, 2031. The Trust holds the beneficial interest in VGH's parking lot facility and until August 31, 2019, owned 100% of the shares of VGH Gift Shop Ltd. (the "Gift Shop"). On September 01, 2019, all the assets and liabilities of the Gift Shop were transferred to the Hospital. The bare trustee of the Trust is 578583 B.C. Ltd., a corporation in which the Foundation has a controlling interest. As at March 31, 2020, \$464,877 receivable from the Trust (2019 - \$571,113) is included in accounts receivable (note 6).

The Trust's financial position as at March 31, 2020 and results of operations for the year ended March 31, 2020 are as follows:

	2020	2019
	(Unaudited)	(Unaudited)
Total assets	\$ 5,157,539	\$ 5,372,493
Total liabilities	4,692,662	4,801,380
Net assets	\$ 464,877	\$ 571,113
Statement of operations:		
Total revenue	\$ 3,015,006	\$ 3,398,335
Total expenses	1,296,627	1,409,548
Net earnings distributable to the Foundation	\$ 1,718,379	\$ 1,988,787

13 Portfolio investment income:

Portfolio investment income is comprised of the following:

	2020	2019
Interest and dividends	\$ 8,278,416	\$ 6,783,688
Net realized gains on investments	1,757,172	439,749
	\$ 10,035,588	\$ 7,223,437

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

14. Other income (expense):

			2020	2019
	General Fund	Restricted Funds - Specific Purpose	Total	Total
Net earnings distributable to the Foundation (note 12)	\$ 1,707,252	\$ 11,127	\$ 1,718,379	\$ 1,988,787
Fund management fees	1,913,758	(1,913,758)	-	-
Fundraising recoveries	1,877,136	-	1,877,136	2,456,095
Impairment of prize home	-	-	-	(181,022)
Loss on sale of prize home	(154,998)	-	(154,998)	-
Other income	545,335	440,573	985,908	1,220,388
	\$ 5,888,483	\$ (1,462,058)	\$ 4,426,425	\$ 5,484,248

15. Related party transactions:

(a) Vancouver Coastal Health Authority:

The Foundation receives administrative support from VCHA without charge. In addition, the Foundation's administrative offices are located in facilities owned by VCHA. No amounts are charged for premises rent. Due to the difficulty in determining the fair values of these services and rentals, no related amount has been recorded in these financial statements.

(b) Directors and Officers:

During the year, the directors and officers of the organization made donations totaling \$466,337 (2019 - \$1,818,012) to the Foundation.

(c) VGH & UBC Hospital Foundation Hong Kong Ltd:

VGH & UBC Hospital Foundation Hong Kong Ltd ("VUHFHK") was incorporated in Hong Kong on April 29, 2016. VUHFHK is related to the Foundation by virtue of the board of directors of VUHFHK being made up entirely of management of the Foundation and that the Foundation provides administrative services to VUHFHK. No administrative costs are charged to VUHFHK by the Foundation. During the year, the Foundation provided financial assistance to VUHFHK of \$20,744 (2019 - \$22,698) relating to legal expenses, audit and tax fees, insurance and courier charges. VUHFHK's financial position and results of operations are not included in the Foundation's financial statements. As at January 31, 2020, VUHFHK has deregistered and ceased its operations.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

16. Affiliated organization:

Friends of VGH & UBC Hospital Foundation:

The Foundation established a non-profit corporation, Friends of VGH & UBC Hospital Foundation ("Friends"), in Washington State, USA, in 1998. Friends is recognized as a charitable organization under section 501(c)(3) of the U.S. Internal Revenue Service code and is able to provide written substantiation of gifts in order to allow donors to Friends to deduct their donations for U.S. federal income tax purposes. Donated funds raised by Friends, with unanimous ratification by its board of directors, are granted to the Foundation. Friends' financial position and results of operations are not included in the Foundation's financial statements. As at March 31, 2020, Friends had no significant assets or liabilities.

During the year, the Foundation received grants of \$650,556 (2019 - nil) from Friends.

17. Disclosure of remuneration:

For the fiscal year ending March 31, 2019, the Foundation paid total remuneration of \$2,610,842 (2019 - \$2,458,373) to the top ten employees and contractors for services, each of whom received total remuneration of \$75,000 or greater. No remuneration was paid to any members of the Board of Directors/Trustees with the exception of the Secretary who is also an employee of the Foundation. The Secretary's remuneration is included in the above employee remuneration disclosure and no other remuneration amounts are paid in addition.

18. 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. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2019.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to credit risk with respect to accounts receivable. The Foundation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance of doubtful accounts. There has been no change to the risk exposures from 2019.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

18. Financial risks (continued):

(c) Market and interest rate risk:

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. Market risks include equity price risk, currency risk and interest rate risk. The Foundation's exposure to equity price risk is primarily attributable to fluctuations in quoted market prices of listed investments. The investment held in preferred shares are not exposed to any significant market risks as they are subject to set scheduled redemption amounts.

The Foundation is exposed to interest rate risk on its fixed interest rate investments. Fixed-interest instruments subject the Foundation to a fair value risk. The Foundation is exposed to this risk as a result of investments in money market and bond funds.

The risks associated with investments are managed through the Foundation's established investment policy.

(d) Other risks:

The Foundation believes that it is not exposed to significant currency or cash flow risk arising from its financial instruments.

There has been no change to the financials risk exposures outlined above from 2019 other than the pervasive impact of COVID 19 as described in note 19.

19. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The subsequent shut-downs globally, domestically, and locally has had a significant impact on jurisdictions and market sectors in which the Foundation operates. At the time of the approval of these financial statements, the primary impact on the Foundation has been the decline in value of its investments and it has taken the following activities in response to the COVID-19 pandemic:

- (a) Cancellation of in person events larger than 50 people, and moving other events to virtual events;
- (b) Deployment of work from home protocols for Foundation employees that are able to do so;
- (c) A COVID-19 response fund has been set-up to support health care teams on the front line; and
- (d) Management has assessed the financial impacts related to the COVID-19 pandemic and the corresponding adjustments have been reflected in these financial statements.

At this time, the Foundation has not experienced a reduction in any of its major funding sources. However, the impact of the pandemic creates uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not predictable at this time. The Foundation continues to closely monitor the impact on its financial implications and continuing operations.