

Financial Statements
(Expressed in thousands of dollars)

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

And Independent Auditors' Report thereon
Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Members 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, 2020
- 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, 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 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', with a small upward tick at the end.

Chartered Professional Accountants

Vancouver, Canada
June 18, 2020

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Statement of Financial Position
(Expressed in thousands of dollars)

March 31, 2020, with comparative information for 2019

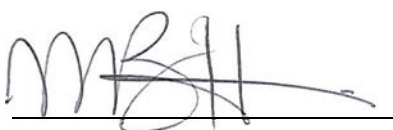
	2020	2019
Assets		
Current assets:		
Cash (note 3)	\$ 32,430	\$ 44,181
Accounts receivable (note 9(a))	2,265	2,515
Prepaid expenses and other	360	244
Investment in lottery prize homes	1,158	2,626
	<u>36,213</u>	<u>49,566</u>
Tangible capital assets (note 4)	204	138
Other assets	450	427
Investments (notes 3 and 5)	333,607	321,975
	<u>\$ 370,474</u>	<u>\$ 372,106</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 8,199	\$ 7,641
Due to BC Children's Hospital, a program of Provincial Health Services Authority (note 9(b))	154,773	148,353
Deferred revenue	740	307
	<u>163,712</u>	<u>156,301</u>
Net assets:		
Unrestricted fund	4,861	5,751
Internally restricted fund	88,236	87,506
Externally restricted fund	6,218	4,943
Endowment fund	107,447	117,605
	<u>206,762</u>	<u>215,805</u>
Commitment (note 5)		
Contingency (note 14)		
Impact of COVID-19 (note 16)		
	<u>\$ 370,474</u>	<u>\$ 372,106</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

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

	Unrestricted fund		Internally restricted fund		Externally restricted fund		Endowment fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue:										
Fundraising	\$ 35,065	\$ 35,291	\$ -	\$ -	\$ 28,936	\$ 31,990	\$ 1,495	\$ 1,379	\$ 65,496	\$ 68,660
Direct fundraising costs	12,802	12,846	-	-	-	-	-	-	12,802	12,846
Net fundraising	22,263	22,445	-	-	28,936	31,990	1,495	1,379	52,694	55,814
Lottery	-	-	-	-	24,726	25,298	-	-	24,726	25,298
Lottery costs	-	-	-	-	15,952	16,826	-	-	15,952	16,826
Net lottery	-	-	-	-	8,774	8,472	-	-	8,774	8,472
Total net revenue	22,263	22,445	-	-	37,710	40,462	1,495	1,379	61,468	64,286
Investment income (loss) (note 10)	(667)	7,066	-	-	19,174	4,774	(26,588)	(470)	(8,081)	11,370
Vancouver Foundation income (note 6)	183	1,009	-	-	260	249	32	31	475	1,289
Loss on lottery prize homes	(294)	-	-	-	-	-	-	-	(294)	-
Cash surrender value adjustment on other assets	23	30	-	-	-	-	-	-	23	30
Net revenue, including investment and other income (losses)	21,508	30,550	-	-	57,144	45,485	(25,061)	940	53,591	76,975
Expenses:										
General and administrative	7,864	7,237	-	-	-	-	-	-	7,864	7,237
Excess (deficiency) of revenue over expenses before grants and charitable activity	13,644	23,313	-	-	57,144	45,485	(25,061)	940	45,727	69,738
Grants and charitable activity (note 9)	13,804	24,439	-	-	40,966	41,519	-	648	54,770	66,606
Excess (deficiency) of revenue over expenses	(160)	(1,126)	-	-	16,178	3,966	(25,061)	292	(9,043)	3,132
Net assets, beginning of year	5,751	5,789	87,506	98,794	4,943	4,404	117,605	103,686	215,805	212,673
Interfund transfers (note 11)	(730)	1,088	730	(11,288)	(14,903)	(3,427)	14,903	13,627	-	-
Net assets, end of year	\$ 4,861	\$ 5,751	\$ 88,236	\$ 87,506	\$ 6,218	\$ 4,943	\$ 107,447	\$ 117,605	\$ 206,762	\$ 215,805

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, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (9,043)	\$ 3,132
Items not involving cash:		
Net realized gains on investments, including Vancouver Foundation capital fund	(53,516)	(8,210)
Unrealized losses on investments	74,606	4,907
Loss on lottery prize homes	294	-
Amortization	47	28
Cash surrender value adjustment on other assets	(23)	(30)
	12,365	(173)
Changes in non-cash operating working capital:		
Accounts receivable	250	(69)
Prepaid expenses and other	(116)	(127)
Accounts payable and accrued liabilities	558	573
Due to BC Children's Hospital, a program of Provincial Health Services Authority	6,420	28,607
Deferred revenue	433	(13)
	19,910	28,798
Investing activities:		
Purchase of investments, net	(32,722)	(14,861)
Purchase of tangible capital assets	(113)	(73)
Proceeds from sale of lottery prize home	1,174	-
Redemption of Vancouver Foundation capital fund, including realized gains	-	1,443
Purchase of lottery prize homes	-	(2,355)
	(31,661)	(15,846)
Increase (decrease) in cash	(11,751)	12,952
Cash, beginning of year	44,181	31,229
Cash, end of year	\$ 32,430	\$ 44,181

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, 2020

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 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 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:

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, 2020

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/losses 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) 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.

(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.

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.

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, 2020

2. Significant accounting policies (continued):

(b) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution. When a tangible 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. Tangible capital assets are amortized on a straight line basis over the assets' estimated useful lives as follows:

Assets	Years
Computer equipment	3
Office equipment and furniture	5

(c) Other assets:

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

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry all its investments, 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.

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, 2020

2. Significant accounting policies (continued):

(d) Financial instruments (continued):

If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Contributions to BC Children's Hospital, a program of Provincial Health Services Authority:

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, 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 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.

(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 (note 13).

(j) 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, 2020

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) 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 investments:

Included in cash is \$10,225,000 (2019 - \$9,452,000) that is restricted related to its lotteries as required under the BC Gaming licences. Included in investments is \$6,000,000 (2019 - \$6,000,000) that is held as security for the Foundation's lottery activities.

4. Tangible capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 73	\$ 18	\$ 55	\$ 69
Office equipment and furniture	254	105	149	69
	\$ 327	\$ 123	\$ 204	\$ 138

5. Investments:

Investments are comprised of the following:

	2020	2019
Short-term deposits, notes and investment certificates	\$ 6,172	\$ 6,094
Bonds	90,049	86,638
Equities	195,330	213,494
Private debt, infrastructure and real estate	42,056	15,749
	\$ 333,607	\$ 321,975

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, 2020

5. Investments (continued):

The yield for the year ended March 31, 2020, including realized gains and losses, was 19.07% (2019 - 5.00%), 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 (note 10).

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:

	2020	2019
U.S dollars	\$ 15,744	\$ 7,391
Canadian dollars	2,950	24,135

Certain investments are restricted for endowments as follows:

	2020	2019
External	\$ 107,447	\$ 117,605
Internal (a)	101,186	67,687
	\$ 208,633	\$ 185,292

(a) The internally restricted endowments of \$101,186,000 (2019 - \$67,687,000) are presented within the internally restricted fund in net assets.

6. Vancouver Foundation capital fund:

The Foundation receives income from restricted funds held at the Vancouver Foundation. The Foundation's rights to the capital have certain restrictions and, accordingly, these funds are not reflected in these financial statements. 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, 2020 of approximately \$6,923,000 (2019 - \$7,606,000).

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$305,000 (2019 - \$339,000), which includes amounts payable for payroll related taxes and contributions. At March 31, 2020, 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, 2020

8. 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 Hospital. 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 \$1,381,000 (2019 - \$1,354,000) be provided by Sunny Hill to BC Children's Hospital, a program of Provincial Health Services Authority, each year specifically for child rehabilitation and developmental pediatrics, whether carried on 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	2020	2019
Total assets	\$ 33,580	\$ 34,181
Total liabilities	\$ 6,986	\$ 6,013
Net assets:		
Unrestricted fund	553	246
Capital fund	20,000	20,000
Internally restricted fund	-	1,255
Endowment fund	6,041	6,667
	26,594	28,168
	\$ 33,580	\$ 34,181

Results of operations and changes in net assets	2020	2019
Revenue	\$ 3,395	\$ 1,631
Expenses	(84)	(53)
Fair value adjustment on investments	(3,377)	9
Contributions provided to BC Children's Hospital Foundation, a program of Provincial Health Services Authority	(1,508)	(1,568)
Excess (deficiency) of revenue over expenses	(1,574)	19
Net assets, beginning of year	28,168	28,149
Net assets, end of year	\$ 26,594	\$ 28,168

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, 2020

9. Related entity balances and transactions:

(a) Sunny Hill Foundation for Children:

The Foundation has \$181,285 due from Sunny Hill as at March 31, 2020 (2019 - nil).

Under the operational merger agreement (note 8), 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 BC Children's Hospital, a program of Provincial Health Services Authority.

During the year ended March 31, 2020, the Foundation provided contributions to Sunny Hill in the amount of \$76,000 (2019 - \$904,000).

(b) BC Children's Hospital, a program of Provincial Health Services Authority:

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, 2020, the Foundation made contributions to the Hospital of \$54,481,000 (2019 - \$65,148,000). The amount due to the Hospital as at March 31, 2020 of \$154,773,000 (2019 - \$148,353,000) consists of costs incurred by the Hospital of \$21,632,000 (2019 - \$19,728,000), which are to be reimbursed by the Foundation, as well as contributions receivable from the Foundation of \$133,141,000 (2019 - \$128,625,000). The balance is non-interest bearing and has no specific repayment terms. The \$133,141,000 (2019 - \$128,625,000) 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, 2020 with a fair value of approximately \$795,000 (2019 - \$783,000) 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.

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, 2020

10. Investment income:

Investment income is comprised of the following:

	2020	2019
Interest and dividends	\$ 14,880	\$ 10,136
Net realized gains on investments	53,516	7,415
Fair value adjustment on investments	(74,606)	(4,907)
Investment manager fees	(1,871)	(1,274)
	\$ (8,081)	\$ 11,370

11. Interfund transfers:

2020	Unrestricted fund	Internally restricted funds	Externally restricted fund	Endowment fund
Recapitalization of investment income from unrestricted fund to internally restricted fund	\$ (8,747)	\$ 8,747	\$ -	\$ -
Recapitalization of investment income from externally restricted fund to endowment fund	-	-	(14,145)	14,145
Sundry grants transferred to endowment fund	-	-	(758)	758
Internal restriction of fair value adjustment on investments	48,017	(48,017)	-	-
Approved transfer to internally restricted endowment fund	(40,000)	40,000	-	-
	\$ (730)	\$ 730	\$ (14,903)	\$ 14,903

2019	Unrestricted fund	Internally restricted funds	Externally restricted fund	Endowment fund
Recapitalization of investment income from unrestricted fund to internally restricted fund	\$ (649)	\$ 649	\$ -	\$ -
Recapitalization of investment income from externally restricted fund to endowment fund	-	-	(955)	955
Sundry grants transferred to endowment fund	(200)	-	(2,472)	2,672
Internal restriction of fair value adjustment on investments	4,437	(4,437)	-	-
Approved transfer to external endowment	-	(10,000)	-	10,000
Approved transfer to internally restricted endowment fund	(2,500)	2,500	-	-
	\$ 1,088	\$ (11,288)	\$ (3,427)	\$ 13,627

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, 2020

12. Financial risks:

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

The Foundation'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.

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.

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

There has been no change in the financial risk exposures outlined above from 2019 other than the pervasive impact of COVID-19 as described in note 16.

13. Employee pension plan:

The Foundation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusted 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 205,000 active members and approximately 101,000 retired members. Active members include approximately 115 (2019 - 114) 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 \$933,000 (2019 - \$861,000) for employer contributions to the Plan in fiscal 2020.

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, 2020

14. Contingency:

On May 26, 2014, the Hospital, a program of the Provincial Health Services Authority, 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, 2020, 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, 2020, the Foundation paid total remuneration of \$2,344,000 (2019 - \$2,215,000) 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.

16. 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 have 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. The Foundation has taken the following activities in relation to the COVID-19 pandemic:

- Cancellation of in-person events larger than 50 people, and moving other events to virtual events;
- Development of digital fundraising strategies;
- Deployment of work from home protocols for Foundation employees that are able to do so; and
- A COVID-19 response fund has been set-up to support health care teams on the front line.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy is not known. The impact of the pandemic creates uncertainty over future cash flows, may cause significant changes to the assets or liabilities, and may have an impact on future operations. An estimate of the financial effect is not practicable at this time. The Foundation continues to closely monitor the impact of its financial implications and will be adjusting its operations as required to enhance continuity of operations.

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, 2020

17. Comparative information:

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