

Financial Statements of

VGH & UBC HOSPITAL FOUNDATION

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of the VGH & UBC Hospital Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of VGH & UBC Hospital Foundation, which comprise the statement of financial position as at March 31, 2017 and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of VGH & UBC Hospital Foundation as at March 31, 2017 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

June 19, 2017
Vancouver, Canada

VGH & UBC HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2017, with comparative information for 2016


	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,236,064	\$ 17,628,300
Portfolio investments (note 5)	166,017,627	133,928,134
Accounts receivable and prepaids (note 6)	1,541,024	1,489,867
Investments in prize homes (note 14)	1,560,167	3,689,953
	<u>185,354,882</u>	<u>156,736,254</u>
Capital assets (note 7)	652,405	755,896
Restricted cash and cash equivalents	8,497,506	6,545,248
Donated assets (note 2(h))	4,541,954	4,211,108
Endowment investments (note 8(a))	74,690,590	70,188,035
Vancouver Foundation investments (note 8(b))	509,767	472,760
	<u>\$ 274,247,104</u>	<u>\$ 238,909,301</u>
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 3,308,686	\$ 3,215,797
Due to Vancouver Coastal Health Authority (note 9)	3,696,991	2,598,426
	<u>7,005,677</u>	<u>5,814,223</u>
Fund Balances:		
General Fund:		
Invested in capital assets (note 7)	652,405	755,896
Vancouver Foundation Endowment Fund (note 8(b))	509,767	472,760
Unrestricted	45,278,401	37,442,886
	<u>46,440,573</u>	<u>38,671,542</u>
Restricted Funds:		
Endowment (note 8(a))	74,690,590	70,188,035
Specific Purpose	146,110,264	124,235,501
	<u>220,800,854</u>	<u>194,423,536</u>
	<u>267,241,427</u>	<u>233,095,078</u>
	<u>\$ 274,247,104</u>	<u>\$ 238,909,301</u>

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, 2017, with comparative information for 2016

	General Fund		Restricted Funds - Endowment		Restricted Funds - Specific Purpose		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue:								
Donations	\$ 3,326,820	\$ 2,845,221	\$ 741,879	\$ 1,125,372	\$ 53,793,263	\$ 28,185,743	\$ 57,861,962	\$ 32,156,336
Lotteries	-	-	-	-	21,929,019	19,725,506	21,929,019	19,725,506
Other fundraising	1,330,238	1,803,825	-	-	2,471,136	2,414,281	3,801,374	4,218,106
Portfolio investment income (note 12)	7,055,118	7,374,734	40,949	6,494	7,308,263	6,898,709	14,404,330	14,279,937
Other income (note 13)	6,392,199	5,708,036	-	-	9,176,919	1,022,759	15,569,118	6,730,795
	18,104,375	17,731,816	782,828	1,131,866	94,678,600	58,246,998	113,565,803	77,110,680
Expenses:								
Foundation operations	8,554,021	7,329,946	-	-	-	-	8,554,021	7,329,946
Community awareness and public engagement	926,028	636,112	-	-	-	-	926,028	636,112
	9,480,049	7,966,058	-	-	-	-	9,480,049	7,966,058
Lotteries	-	-	-	-	16,029,365	15,269,267	16,029,365	15,269,267
Other fundraising	1,150,001	1,213,089	-	-	136,953	122,251	1,286,954	1,335,340
Transfer to qualified donees (note 3)	-	-	-	-	423,623	1,000,000	423,623	1,000,000
Grants to Vancouver Coastal Health Authority:								
Equipment and capital projects	68,621	158,089	-	-	31,066,662	16,721,972	31,135,283	16,880,061
Education, research, patient care and other	228,836	172,645	-	-	24,518,026	16,999,197	24,746,862	17,171,842
	297,457	330,734	-	-	55,584,688	33,721,169	55,882,145	34,051,903
	10,927,507	9,509,881	-	-	72,174,629	50,112,687	83,102,136	59,622,568
Excess of revenue over expenses before change in fair value of investments	7,176,868	8,221,935	782,828	1,131,866	22,503,971	8,134,311	30,463,667	17,488,112
Change in fair value of investments (note 2(d))	1,086,096	(6,557,058)	2,596,586	(5,691,699)	-	-	3,682,682	(12,248,757)
Excess (deficiency) of revenue over expenses	8,262,964	1,664,877	3,379,414	(4,559,833)	22,503,971	8,134,311	34,146,349	5,239,355
Interfund transfers (note 4)	(493,933)	(2,017,452)	1,123,141	5,206,725	(629,208)	(3,189,273)	-	-
Net increase (decrease) in fund balances	7,769,031	(352,575)	4,502,555	646,892	21,874,763	4,945,038	34,146,349	5,239,355
Fund balances, beginning of year	38,671,542	39,024,117	70,188,035	69,541,143	124,235,501	119,290,463	233,095,078	227,855,723
Fund balances, end of year	\$ 46,440,573	\$ 38,671,542	\$ 74,690,590	\$ 70,188,035	\$ 146,110,264	\$ 124,235,501	\$ 267,241,427	\$ 233,095,078

See accompanying notes to financial statements

VGH & UBC HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 34,146,349	\$ 5,239,355
Items not involving cash:		
Change in fair value of investments	(3,682,682)	12,248,757
Amortization	244,976	140,841
Donated assets	(330,846)	(513,716)
Gain on disposal of investments	(7,483,704)	(1,459,058)
Gain on sale of prize home	(285,857)	-
Management fees on investments	464,267	496,524
Receipt of investments as donations	(28,403,358)	(6,939,238)
	(5,330,855)	9,213,465
Purchase of prize homes	(162,425)	(3,689,953)
Proceeds on sale of prize home	2,578,068	-
	(2,915,212)	5,523,512
Net change in non-cash operating items	1,140,297	(163,991)
	(1,774,915)	5,359,521
Investing:		
Reinvestment of investment income	(6,663,042)	(12,311,391)
Proceeds on sale of investments	28,403,358	6,539,238
Purchase of investments	(19,263,894)	(12,927,470)
Change in restricted cash and cash equivalents	(1,952,258)	(1,749,109)
Purchase of capital assets	(141,485)	(631,834)
	382,679	(21,080,566)
Decrease in cash and cash equivalents	(1,392,236)	(15,721,045)
Cash and cash equivalents, beginning of year	17,628,300	33,349,345
Cash and cash equivalents, end of year	\$ 16,236,064	\$ 17,628,300

See accompanying notes to financial statements.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

1. Organization:

The VGH & UBC Hospital Foundation (the "Foundation") was incorporated in 1980 under the Society Act (British Columbia). The Foundation has until November 28, 2018 to transition to the new Societies Act (British Columbia) which became effective November 28, 2016. The Foundation's principal purpose is 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:

The 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 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 represent 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, 2017

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 other than its investment in private shares which is measured at cost.

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, 2017

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 BC Gaming Commission 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 (note 10). The Trust distributes the net revenue derived from the operation of the VGH's parking lot facility to the Foundation which is recorded by the Foundation 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) Capital assets:

Capital assets, consisting of equipment and office renovations, are recorded at cost less accumulated amortization. When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value. 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

(h) Donated assets:

Donated assets consist of donated artwork and other non-depreciable property. 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, 2017

2. Significant accounting policies (continued):

(i) 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.

(j) 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.

(k) 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. Actual results could differ from these estimates.

3. Transfer to qualified donees:

In the current year, transfers to qualified donees include BC Children's Hospital Foundation for \$300,000, St. Paul's Hospital Foundation of Vancouver for \$103,667 and Canadian Mental Health Association of BC for \$19,956 were made in accordance with directions from the donors. During 2016, there was a single transfer of \$1,000,000 to a qualified donee (St. Paul's Hospital Foundation of Vancouver).

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.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

5. Investments:

Investments are comprised of the following:

	2017	2016
Canadian money market funds	\$ 15,874,935	\$ 24,620,990
Canadian fixed income funds	137,695,863	83,542,249
Canadian equity funds	44,117,648	43,819,937
Canadian real estate funds	7,763,298	-
Global equity funds	34,856,473	51,732,993
Private shares	400,000	400,000
Endowment investments (note 8)	(74,690,590)	(70,188,035)
Portfolio investments	\$ 166,017,627	\$ 133,928,134

As at March 31, 2017, the Foundation has recorded in its portfolio investments, a Guaranteed Investment Certificate in the amount of \$5,500,000 (2016 - \$5,500,000), which is included in the Canadian money market funds, to comply with the requirements of the Ministry of Public Safety and Solicitor General, Gaming Policy and Enforcement Branch for the purchase of prizes for upcoming lotteries.

6. Accounts receivable and prepaids:

	2017	2016
Parkade Trust (note 11)	\$ 527,664	\$ 596,424
Prepaid expenses	401,634	291,816
Sales tax rebate	281,194	260,610
Other	330,532	341,017
Total	\$ 1,541,024	\$ 1,489,867

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

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

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 856,773	\$ 295,622	\$ 561,151	\$ 628,807
Computer equipment	236,725	145,471	91,254	127,089
	\$ 1,093,498	\$ 441,093	\$ 652,405	\$ 755,896

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

	2017	2016
Opening balance	\$ 755,896	\$ 264,903
Effect of change in accounting estimate – note 2(g)	(14,450)	-
Amortization	(230,526)	(140,841)
Additions	141,485	631,834
Closing balance	\$ 652,405	\$ 755,896

8. Endowment funds:

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

	2017	2016
Specific Purpose (note 2(a)(ii)):		
Education	\$ 3,903,478	\$ 3,657,506
Equipment	153,785	148,942
Patient care	294,727	284,585
Research	64,365,049	60,316,716
Other	5,973,551	5,780,286
	\$ 74,690,590	\$ 70,188,035

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

8. Endowment funds (continued):

(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, \$19,445 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, 2017, the fund has a fair value of \$912,042 (2016 - \$835,042), of which \$509,768 (2016 - \$472,760) 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, 2017 (2016 – nil).

9. 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.

10. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$108,529 (2016 - \$99,302), which includes amounts payable for payroll related taxes and contributions. At March 31, 2017, all federal payroll remittances payable are current.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

11. VGH Parkade Trust:

VGH Parkade Trust (the "Trust") was created by agreement between the Vancouver General Hospital (the "Hospital") and the Foundation. The Trust holds the beneficial interest in VGH's parking lot facility and owns 100% of the shares of VGH Gift Shop Ltd. (the "Gift Shop"). 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, 2017, \$527,664 receivable from the Trust (2016 - \$596,424) is included in accounts receivable (note 6).

The Trust's financial position as at March 31, 2017 and results of operations for the year ended March 31, 2017 are as follows:

	2017	2016
Total assets	\$ 5,464,638	\$ 5,646,200
Total liabilities	4,936,974	5,049,808
Net assets	\$ 527,664	\$ 596,392
Statement of operations:		
Total revenue	\$ 3,494,408	\$ 3,432,453
Total expenses	1,392,529	1,347,307
Net earnings to distribute to the Foundation	\$ 2,101,879	\$ 2,085,146

12. Portfolio investment income:

Portfolio investment income is comprised of the following:

	2017	2016
Interest and dividends	\$ 6,920,626	\$ 12,820,879
Net realized gains on investments	7,483,704	1,459,058
	\$ 14,404,330	\$ 14,279,937

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

13. Other income:

	General Fund	Restricted Funds - Specific Purpose	2017	2016
Government grants	\$ -	\$ 8,000,000	\$ 8,000,000	\$ -
Parkade Trust income	2,034,189	67,690	2,101,879	2,085,146
Fund management fees	1,825,939	(1,825,939)	-	-
Fundraising recoveries	1,786,348	-	1,786,348	1,988,471
Gain on sale of prize home	285,857	-	285,857	-
Other income	459,866	2,935,168	3,395,034	2,657,178
	<u>\$ 6,392,199</u>	<u>\$ 9,176,919</u>	<u>\$ 15,569,118</u>	<u>\$ 6,730,795</u>

14. 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.

15. Related party transactions:

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. The value of these services and rentals is not included in these financial statements

During the year, the directors and officers of the organization made donations totaling \$3,207,832 (2016 - \$3,536,814) to the Foundation

16. Disclosure of remuneration:

For the fiscal year ending March 31, 2017, the Foundation paid total remuneration of \$2,383,964 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.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

17. Affiliated organization:

The Foundation established a non-profit corporation, Friends of VGH & UBC Hospital Foundation ("Friends"), in Washington State, USA, in 1998, which is recognized as a charitable organization under section 501(c)(3) of the U.S. Internal Revenue Service code. Friends 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. The Foundation does not account for Friends in these financial statements. As at March 31, 2017, Friends had no significant assets or liabilities.

During the year, the Foundation received grants of \$1,599,311 (2016 - \$2,000,000) from the above affiliated organization.

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 2016.

(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.

(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 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 currency or cash flow risk arising from its financial instruments.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

19. Subsequent event:

In March 2017, the Foundation signed a contract to purchase and paid a deposit of \$87,500 for a property in Surrey, BC as an investment in prize home. In April 2017, a further \$1,693,544 was paid, being the balance of the purchase price and closing costs.

20. Comparative figures:

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