

Financial Statements of

VGH & UBC HOSPITAL FOUNDATION

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of the VGH & UBC Hospital Foundation

Report on the 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, 2019
- 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, 2019, 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 ethical 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.



Chartered Professional Accountants

Vancouver, Canada
June 17, 2019

VGH & UBC HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,299,048	\$ 10,674,582
Portfolio investments (note 5)	190,176,015	171,374,922
Long-term investment - preferred shares (note 7)	1,500,000	1,500,000
Accounts receivable and prepaids (note 6)	2,015,436	1,928,092
Investments in prize homes (note 15)	3,160,167	3,341,189
	<u>210,150,666</u>	<u>188,818,785</u>
Capital assets (note 8)	656,597	761,091
Restricted cash and cash equivalents	8,541,078	8,215,889
Long-term investment - preferred shares (note 7)	17,636,000	18,321,000
Donated assets (note 2(h))	6,218,368	5,215,944
Endowment investments (note 9(a))	86,066,798	76,228,472
Vancouver Foundation investments (note 9(b))	515,860	541,788
	<u>\$ 329,785,367</u>	<u>\$ 298,102,969</u>

Liabilities and Fund Balances

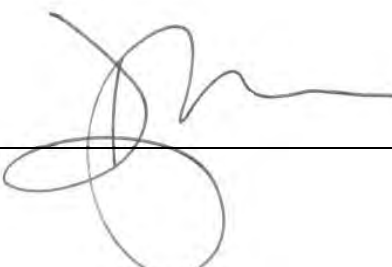
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 2,553,595	\$ 2,943,706
Due to Vancouver Coastal Health Authority (note 10)	6,134,430	4,701,862
	<u>8,688,025</u>	<u>7,645,568</u>
Fund Balances:		
General Fund:		
Invested in capital assets (note 8)	656,597	761,091
Vancouver Foundation Endowment Fund (note 9(b))	515,860	541,788
Unrestricted	54,391,643	46,741,563
	<u>55,564,100</u>	<u>48,044,442</u>
Restricted Funds:		
Endowment (note 9(a))	86,066,798	76,228,472
Specific Purpose	179,466,444	166,184,487
	<u>265,533,242</u>	<u>242,412,959</u>
	<u>321,097,342</u>	<u>290,457,401</u>
	<u>\$ 329,785,367</u>	<u>\$ 298,102,969</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, 2019, with comparative information for 2018

	General Fund		Restricted Funds - Endowment		Restricted Funds - Specific Purpose		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenue:								
Donations	\$ 6,785,120	\$ 3,286,172	\$ 6,485,398	\$ 835,816	\$ 42,449,279	\$ 49,601,438	\$ 55,719,797	\$ 53,723,426
Lotteries	-	-	-	-	22,335,330	22,294,111	22,335,330	22,294,111
Other fundraising	1,522,599	1,383,596	-	-	2,273,918	2,366,469	3,796,517	3,750,065
Portfolio investment income (note 13)	3,396,469	3,753,078	3,488	57,661	3,823,480	5,155,911	7,223,437	8,966,650
Other income (note 14)	6,422,414	6,228,113	-	-	(938,166)	(39,972)	5,484,248	6,188,141
	18,126,602	14,650,959	6,488,886	893,477	69,943,841	79,377,957	94,559,329	94,922,393
Expenses:								
Foundation operations	9,005,629	8,229,179	-	-	-	-	9,005,629	8,229,179
Community awareness and public engagement	1,112,032	922,302	-	-	-	-	1,112,032	922,302
	10,117,661	9,151,481	-	-	-	-	10,117,661	9,151,481
Lotteries	-	-	-	-	16,931,433	16,579,747	16,931,433	16,579,747
Other fundraising	1,383,001	1,168,679	-	-	174,552	134,523	1,557,553	1,303,202
Transfer to qualified donees (note 3)	-	-	-	-	16,667	63,378	16,667	63,378
Grants to Vancouver Coastal Health Authority:								
Equipment and capital projects	400,000	372,645	-	-	17,362,021	19,938,758	17,762,021	20,311,403
Education, research, patient care and other	573,090	167,175	-	-	22,092,710	22,379,051	22,665,800	22,546,226
	973,090	539,820	-	-	39,454,731	42,317,809	40,427,821	42,857,629
	12,473,752	10,859,980	-	-	56,577,383	59,095,457	69,051,135	69,955,437
Excess of revenue over expenses before change in fair value of investments	5,652,850	3,790,979	6,488,886	893,477	13,366,458	20,282,500	25,508,194	24,966,956
Change in fair value of investments (note 2(d))	3,030,971	(834,967)	2,100,776	(916,015)	-	-	5,131,747	(1,750,982)
Excess (deficiency) of revenue over expenses	8,683,821	2,956,012	8,589,662	(22,538)	13,366,458	20,282,500	30,639,941	23,215,974
Interfund transfers (note 4)	(1,164,163)	(1,352,143)	1,248,664	1,560,420	(84,501)	(208,277)	-	-
Net increase (decrease) in fund balances	7,519,658	1,603,869	9,838,326	1,537,882	13,281,957	20,074,223	30,639,941	23,215,974
Fund balances, beginning of year	48,044,442	46,440,573	76,228,472	74,690,590	166,184,487	146,110,264	290,457,401	267,241,427
Fund balances, end 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

See accompanying notes to financial statements

VGH & UBC HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 30,639,941	\$ 23,215,974
Items not involving cash:		
Change in fair value of investments	(5,131,747)	1,750,982
Change in fair value of preferred shares	(815,000)	-
Amortization	293,197	264,402
Impairment of prize home	181,022	-
Donated assets	(1,002,424)	(673,990)
Donation of preferred shares	-	(19,821,000)
Gain on disposal of investments	(439,749)	(1,126,522)
Management fees on investments	444,477	481,349
Receipt of investments as donations	(9,866,817)	(8,966,460)
	14,302,900	(4,875,265)
Purchase of prize homes	-	(1,781,022)
	14,302,900	(6,656,287)
Changes in non-cash operating items:		
Accounts receivable and prepaids	(87,344)	(407,582)
Accounts payable and accrued liabilities	(390,111)	(364,980)
Due to Vancouver Coastal Health Authority	1,432,568	1,004,871
	15,258,013	(6,423,978)
Investing:		
Reinvestment of investment income	(6,532,676)	(7,734,677)
Proceeds on redemption of preferred shares	1,500,000	-
Proceeds on sale of investments	9,284,510	8,986,974
Purchase of portfolio investments	(16,371,489)	(298,330)
Change in restricted cash and cash equivalents	(325,189)	281,617
Purchase of capital assets	(188,703)	(373,088)
	(12,633,547)	862,496
Increase (decrease) in cash and cash equivalents	2,624,466	(5,561,482)
Cash and cash equivalents, beginning of year	10,674,582	16,236,064
Cash and cash equivalents, end of year	\$ 13,299,048	\$ 10,674,582

See accompanying notes to financial statements.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

1. Organization:

The VGH & UBC Hospital Foundation (the "Foundation") was incorporated in 1980 under the Society Act (British Columbia) and transitioned to the new Societies Act (British Columbia) on August 30, 2017.

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:

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 – *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, 2019

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, 2019

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) 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, 2019

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. Significant areas of estimation include the valuation of the long-term investments held in preferred shares. Actual results could differ from these estimates.

(l) 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 16 and 17).

3. Transfer to qualified donees:

In the current year, a transfer to a qualified donee, St. Paul's Hospital Foundation of Vancouver, in the amount of \$16,667 was made in accordance with directions from the donor. During 2018, there were 2 transfers to qualified donees, which included St. Paul's Hospital Foundation of Vancouver for \$33,333 and Canadian Mental Health Association of BC for \$30,045.

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, 2019

5. Portfolio investments:

Investments are comprised of the following:

	2019	2018
Canadian money market funds	\$ 19,958,193	\$ 16,814,589
Canadian fixed income funds	130,184,840	126,910,336
Canadian equity funds	42,108,856	39,770,944
Canadian real estate funds	42,995,031	25,891,418
Global equity funds	40,595,893	37,816,107
Private shares	400,000	400,000
Endowment investments (note 9)	(86,066,798)	(76,228,472)
	<u>\$ 190,176,015</u>	<u>\$ 171,374,922</u>

As at March 31, 2019, the Foundation has a Guaranteed Investment Certificate, in the amount of \$5,500,000 (2018 - \$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:

	2019	2018
Parkade Trust (note 12)	\$ 571,113	\$ 648,732
Prepaid expenses	472,430	252,211
Sales tax rebates	750,760	809,404
Other	221,133	217,745
	<u>\$ 2,015,436</u>	<u>\$ 1,928,092</u>

7. Investment in preferred shares at fair value:

	2019	2018
Donated preferred shares, opening balance	\$ 19,821,000	\$ 19,821,000
Fair value adjustment in year	815,000	-
Less redemption in year	(1,500,000)	-
Donated preferred shares, ending balance	19,136,000	19,821,000
Current portion	(1,500,000)	(1,500,000)
Long term portion	<u>\$ 17,636,000</u>	<u>\$ 18,321,000</u>

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

7. Investment in preferred shares at fair value (continued):

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 (2018 - \$1,500,000).

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

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Furniture and fixtures	\$ 1,383,714	\$ (752,608)	\$ 631,106	\$ 708,534
Computer equipment	188,244	(162,753)	25,491	52,557
	\$ 1,571,958	\$ (915,361)	\$ 656,597	\$ 761,091

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

	2019	2018
Opening balance	\$ 761,091	\$ 652,405
Amortization	(293,197)	(264,402)
Additions	188,703	373,088
Ending balance	\$ 656,597	\$ 761,091

9. Endowment funds:

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

	2019	2018
Specific Purpose (note 2(a)(ii)):		
Education	\$ 4,030,968	\$ 3,921,094
Equipment	157,027	153,303
Patient care	303,293	295,040
Research	74,775,313	65,898,043
Other	6,800,197	5,960,992
	\$ 86,066,798	\$ 76,228,472

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

9. 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, \$30,720 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, 2019, the fund has a fair value of \$926,869 (2018 - \$910,262), of which \$515,860 (2018 - \$541,788) 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, 2019 (2018 - 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.

11. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$118,284 (2018 - \$110,491), which includes amounts payable for payroll related taxes and contributions. At March 31, 2019, all federal payroll remittances payable are current.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

12. 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, 2019, \$571,113 receivable from the Trust (2018 - \$648,732) is included in accounts receivable (note 6).

The Trust's financial position as at March 31, 2019 and results of operations for the year ended March 31, 2019 are as follows:

	2019	2018
	(Unaudited)	(Unaudited)
Total assets	\$ 5,372,493	\$ 5,571,832
Total liabilities	4,801,380	4,923,100
Net assets	\$ 571,113	\$ 648,732
Statement of operations:		
Total revenue	\$ 3,398,335	\$ 3,491,770
Total expenses	1,409,548	1,425,397
Net earnings distributable to the Foundation	\$ 1,988,787	\$ 2,066,373

13 Portfolio investment income:

Portfolio investment income is comprised of the following:

	2019	2018
Interest and dividends	\$ 6,783,688	\$ 7,840,128
Net realized gains on investments	439,749	1,126,522
	\$ 7,223,437	\$ 8,966,650

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

14. Other income:

	General Fund	Restricted Funds - Specific Purpose	2019	2018
Net earnings distributable to the Foundation	\$ 1,937,778	\$ 51,009	\$ 1,988,787	\$ 2,066,373
Fund management fees	1,832,716	(1,832,716)	-	-
Fundraising recoveries	2,456,095	-	2,456,095	2,055,352
Impairment of prize home	(181,022)	-	(181,022)	-
Other income	376,847	843,541	1,220,388	2,066,416
	\$ 6,422,414	\$ (938,166)	\$ 5,484,248	\$ 6,188,141

15. 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. One of the prize homes is listed for sale and an impairment charge of \$181,022 was taken based on the estimated recoverable amount on sale.

16. 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 financial statements.

(b) Directors and Officers:

During the year, the directors and officers of the organization made donations totaling \$1,818,012 (2018 - \$1,530,868) 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 \$22,698 (2018 - \$23,437) 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 March 31, 2019, VGHHK had no significant assets or liabilities.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

17. 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 related to the Foundation by virtue of two of its four member board of directors also being management of the Foundation. 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, 2019, Friends had no significant assets or liabilities.

During the year, the Foundation received grants of nil (2018 - \$1,038,424) from Friends.

18. Disclosure of remuneration:

For the fiscal year ending March 31, 2019, the Foundation paid total remuneration of \$2,458,373 (2018 - \$2,408,442) 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.

19. 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 2018.

(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 2018.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

19. 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.

There has been no change to the risk exposures from 2018.

(d) Other risks:

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

20. Comparative information:

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