

Financial Statements of

VGH & UBC HOSPITAL FOUNDATION

And Independent Auditors' Report thereon

Year ended March 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of VGH & UBC Hospital Foundation

Report on the Audit of Financial Statements

Opinion

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

- the statement of financial position as at March 31, 2022;
- 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, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 21, 2022

VGH & UBC HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2022, with comparative information for 2021

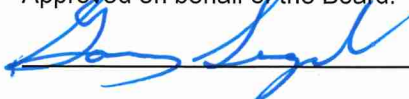
	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 46,681,683	\$ 15,321,107
Restricted cash and cash equivalents	19,632,441	14,075,713
Portfolio investments (note 4)	135,018,607	174,507,297
Investment in preferred shares - current portion (note 6)	2,500,000	2,000,000
Accounts receivable and prepaids (note 5)	2,033,059	1,437,633
Investments in prize home	1,560,167	1,560,167
	<u>207,425,957</u>	<u>208,901,917</u>
Capital assets (note 7(a))	100,679,037	407,318
Investment in preferred shares (note 6)	12,899,000	15,363,000
Donated assets	7,430,943	7,043,414
Endowment portfolio investments (note 9(b))	114,242,741	128,980,727
Vancouver Foundation investments (note 9(c))	628,194	578,921
	<u>\$ 443,305,872</u>	<u>\$ 361,275,297</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 3,806,772	\$ 4,369,984
Due to Vancouver Coastal Health Authority (note 10)	7,371,604	6,475,758
	<u>11,178,376</u>	<u>10,845,742</u>
Bank loan (note 8)	55,000,000	-
	<u>66,178,376</u>	<u>10,845,742</u>
Fund Balances:		
General Fund:		
Invested in capital assets (note 7(b))	25,287,138	407,318
Vancouver Foundation Endowment Fund (note 9(c))	628,194	578,921
Unrestricted	39,166,763	61,044,632
	<u>65,082,095</u>	<u>62,030,871</u>
Restricted Funds:		
Endowment (note 9(a))	134,634,640	128,980,727
Specific Purpose	177,410,761	159,417,957
	<u>312,045,401</u>	<u>288,398,684</u>
	<u>377,127,496</u>	<u>350,429,555</u>
	<u>\$ 443,305,872</u>	<u>\$ 361,275,297</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, 2022, with comparative information for 2021

	General Fund		Restricted Funds - Endowment		Restricted Funds - Specific Purpose		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue:								
Donations	\$ 6,708,318	\$ 6,410,736	\$ 1,190,540	\$ 4,193,670	\$ 45,204,746	\$ 38,433,565	\$ 53,103,604	\$ 49,037,971
Lotteries	-	-	-	-	29,997,007	25,411,466	29,997,007	25,411,466
Other fundraising	877,843	489,357	-	-	321,542	620,297	1,199,385	1,109,654
Portfolio investment income (note 13)	11,920,852	6,261,630	(6,576)	371	11,996,757	5,324,657	23,911,033	11,586,658
Other income (note 14)	5,828,361	3,145,495	-	-	(813,099)	(1,531,707)	5,015,262	1,613,788
	25,335,374	16,307,218	1,183,964	4,194,041	86,706,953	68,258,278	113,226,291	88,759,537
Expenses:								
Foundation operations	11,244,373	10,850,204	-	-	-	-	11,244,373	10,850,204
Community awareness and public engagement	1,214,640	940,402	-	-	-	-	1,214,640	940,402
	12,459,013	11,790,606	-	-	-	-	12,459,013	11,790,606
Canada Emergency Wage Subsidy (note 18)	(471,857)	(1,135,917)	-	-	-	-	(471,857)	(1,135,917)
	11,987,156	10,654,689	-	-	-	-	11,987,156	10,654,689
Lotteries	-	-	-	-	14,978,716	14,485,310	14,978,716	14,485,310
Other fundraising	319,209	157,559	-	-	29,245	72	348,454	157,631
Transfer to qualified donees (note 3)	-	-	-	-	446,000	137,547	446,000	137,547
Grants to Vancouver Coastal Health Authority:								
Equipment and capital projects	-	-	-	-	27,868,925	13,486,471	27,868,925	13,486,471
Education, research, patient care and other	788,111	778,854	-	-	27,049,005	27,028,448	27,837,116	27,807,302
	788,111	778,854	-	-	54,917,930	40,514,919	55,706,041	41,293,773
	13,094,476	11,591,102	-	-	70,371,891	55,137,848	83,466,367	66,728,950
Excess of revenue over expenses								
before change in fair value of investments	12,240,898	4,716,116	1,183,964	4,194,041	16,335,062	13,120,430	29,759,924	22,030,587
Change in fair value of investments								
	(5,172,665)	8,064,689	2,110,682	13,992,271	-	-	(3,061,983)	22,056,960
Excess of revenue over expenses								
	7,068,233	12,780,805	3,294,646	18,186,312	16,335,062	13,120,430	26,697,941	44,087,547
Interfund transfers								
	(4,017,009)	(4,228,399)	2,359,267	26,068,413	1,657,742	(21,840,014)	-	-
Net increase (decrease) in fund balances								
	3,051,224	8,552,406	5,653,913	44,254,725	17,992,804	(8,719,584)	26,697,941	44,087,547
Fund balances, beginning of year								
	62,030,871	53,478,465	128,980,727	84,726,002	159,417,957	168,137,541	350,429,555	306,342,008
Fund balances, end of year								
	\$ 65,082,095	\$ 62,030,871	\$ 134,634,640	\$ 128,980,727	\$ 177,410,761	\$ 159,417,957	\$ 377,127,496	\$ 350,429,555

See accompanying notes to financial statements.

VGH & UBC HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 26,697,941	\$ 44,087,547
Items not involving cash:		
Change in fair value of investments	3,061,983	(22,056,960)
Change in fair value of preferred shares	(36,000)	(779,000)
Amortization of capital assets	193,451	232,017
Donated assets	(387,529)	(177,433)
Gain on disposal of investments	(12,487,709)	(2,876,066)
Management fees on investments	433,896	454,324
Receipt of investments as donations	(15,057,880)	(4,049,013)
	2,418,153	14,835,416
Changes in non-cash operating items:		
Accounts receivable and prepaids	(595,426)	346,823
Accounts payable and accrued liabilities	(563,212)	1,301,341
Due to Vancouver Coastal Health Authority	895,846	1,860,974
	2,155,361	18,344,554
Financing:		
Proceeds from bank loan	55,000,000	-
Investing:		
Reinvestment of investment income	(10,749,854)	(8,675,728)
Proceeds on redemption of preferred shares	2,000,000	1,500,000
Proceeds on sale of donated investments	14,783,159	3,638,500
Sale (purchase) of portfolio investments	74,193,808	(8,198,818)
Change in restricted cash and cash equivalents	(5,556,728)	(3,888,260)
Purchase of capital assets	(100,465,170)	(141,036)
	(25,794,785)	(15,765,342)
Increase in cash and cash equivalents	31,360,576	2,579,212
Cash and cash equivalents, beginning of year	15,321,107	12,741,895
Cash and cash equivalents, end of year	\$ 46,681,683	\$ 15,321,107

See accompanying notes to financial statements.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

1. Organization:

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

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

2. Significant accounting policies:

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

(a) Revenue recognition and fund accounting:

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 general 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 Specific Purpose 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").

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, 2022

2. Significant accounting policies (continued):

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

For financial reporting purposes, the accounts have been classified into the following funds:

(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 (note 2(a)(ii)), and amounts held by the Vancouver Foundation but available for withdrawal (note 9(c)), 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.

General Fund also includes amounts invested in capital assets made up of tangible capital assets acquired by the Foundation less related accumulated amortization, debt and invested endowment funds (note 7(b)).

(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, restricted current fundraising event proceeds, as well as restricted investment income earned on Endowment Funds.

Administration fees are charged to restricted gifts and events that are complex, requires naming recognition or individual plaques. These fees are recorded in other income in the general fund at time the related gifts are received or at the time event has been completed.

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.

(c) Deferred revenue:

Unrestricted sponsorship or ticket sales revenue received in advance of the related fundraising event is deferred and recognized when the event is completed or the revenue is earned.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(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, except guaranteed investment certificates and private shares, which are held 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.

(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.'s nor the Trust's financial statements. Accordingly, the assets, liabilities, revenue and expenses of these entities are not included in the Foundation's financial statements.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(g) Investment in prize home:

Investment in prize home is recorded at the cost of acquisition. At each reporting date, the investment in prize home is reviewed to assess whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment, if any.

(h) Capital assets:

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

Asset	Years
Buildings:	
– long-term care property	15
– rental property	5
Furniture and fixtures	5
Computer equipment	3

(i) Donated assets:

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

The Foundation manages and cares for its collection of artwork under the Art Collection Management policy and records such assets at either cost or nominal value. The cost of contributed artwork is deemed to be fair value at the date of contribution. When the cost cannot be reasonably determined for a contributed item, the item is recorded at nominal value. In addition, collections are written down when there is evidence that the carrying amount exceed fair value.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(j) Contributed materials and services:

The Foundation records the fair value of contributed materials that qualify for receipted in-kind donations, where such fair value is determinable, and would otherwise have been purchased, as revenue along with a corresponding expense.

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

(k) Income taxes:

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

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Areas of estimation include the valuation of the long-term investments held in preferred shares, art and other in-kind donations, and the estimated useful lives of capital assets for purposes of amortization. Actual results could differ from these estimates.

(m) Affiliated entity:

The Foundation does not consolidate the financial statements of Friends of VGH & UBC Hospital Foundation, an affiliated entity (note 16).

3. Transfer to qualified donees:

In the current year, transfers to the following qualified donees, which included Canadian Men's Health Foundation for \$150,000, DUDES Club Society for \$120,000, BC Children's Hospital Foundation for \$100,000, Michael Smith Health Research BC for \$75,000, and St. John Ambulance for \$1,000, were made in accordance with directions from the donors. During 2021, there was a transfer to a qualified donee, Urban Indigenous Health & Healing Co-operative for \$137,547.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

4. Portfolio investments:

	2022	2021
Investments held at fair value:		
Canadian money market funds	\$ 2,013,001	\$ 1,185,509
Canadian fixed income funds	84,212,415	127,386,173
Canadian equity funds	62,960,506	54,217,075
Canadian real estate funds	-	47,161,592
Global equity funds	55,989,081	52,289,919
Infrastructure funds	36,321,037	7,402,029
Endowment portfolio investments (note 9(b))	(114,242,741)	(128,980,727)
Total investments held at fair value	127,253,299	160,661,570
Investments held at cost:		
Guaranteed investment certificates	7,365,308	13,445,727
Private shares	400,000	400,000
Total investments held at cost:	7,765,308	13,845,727
Total portfolio investments	\$ 135,018,607	\$ 174,507,297

The Foundation has investment commitments totalling \$20,375,479 as at March 31, 2022 relating to infrastructure fund investments that can be drawn on demand.

5. Accounts receivable and prepaids:

	2022	2021
Parkade Trust (note 12)	\$ 774,294	\$ -
Prepaid expenses	392,111	457,254
Sales tax rebates	761,945	852,638
Other	104,709	127,741
	\$ 2,033,059	\$ 1,437,633

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

6. Investment in preferred shares at fair value:

	2022	2021
Donated preferred shares, opening balance	\$ 17,363,000	\$ 18,084,000
Fair value adjustment in year	36,000	779,000
Less redemption in year	(2,000,000)	(1,500,000)
Donated preferred shares, ending balance	15,399,000	17,363,000
Current portion	(2,500,000)	(2,000,000)
Long-term portion	\$ 12,899,000	\$ 15,363,000

On September 15, 2017, the Foundation received a donation of preferred shares of a private entity. These shares will be redeemed over a nine-year period, once per year, at predetermined amounts totaling \$22,500,000. The preferred shares were recorded at their appraised fair value. As \$2,500,000 is scheduled to be redeemed in the next fiscal year, this amount has accordingly been classified as current investments (2021 - \$2,000,000).

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

(a) Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Land:				
– long-term care property	\$ 72,966,696	\$ -	\$ 72,966,696	\$ -
– rental property	18,246,054	-	18,246,054	-
	91,212,750	-	91,212,750	-
Buildings:				
– long-term care property	8,237,094	-	8,237,094	-
– rental property	903,177	-	903,177	-
	9,140,271	-	9,140,271	-
Furniture and fixtures	916,257	(632,400)	283,857	367,130
Computer equipment	109,804	(67,645)	42,159	40,188
	\$ 101,379,082	\$ (700,045)	\$ 100,679,037	\$ 407,318

On March 29, 2022, the Foundation completed the purchase of a property consisting of a long-term care facility and a rental property for total purchase cost of \$100,353,021. The purchase was funded through \$55,000,000 bank debt (note 8), \$20,391,899 in endowment funds invested (note 9(b)), and \$24,961,122 in unrestricted funds. No amortization has been taken as the assets were acquired at the end of the fiscal year.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

7. Capital assets and net assets invested in capital assets (continued):

(b) Invested in capital assets:

	2022	2021
Capital assets	\$ 100,679,037	\$ 407,318
Amounts financed by:		
Bank loan (note 8)	(55,000,000)	-
Invested endowment funds (note 9(b))	(20,391,899)	-
	\$ 25,287,138	\$ 407,318

(c) Changes in net assets invested in capital assets are as follows:

	2022	2021
Opening balance	\$ 407,318	\$ 498,299
Amortization	(193,451)	(232,017)
Additions	100,465,170	141,036
Proceeds from bank loan	(55,000,000)	-
Amounts from invested endowment funds	(20,391,899)	-
Ending balance	\$ 25,287,138	\$ 407,318

8. Bank loan:

	2022	2021
Fixed rate term loan payable to TD Bank, bearing interest at 2.83% to 2027.	\$ 55,000,000	\$ -

During fiscal 2022, the Foundation entered into a bank loan agreement with TD Bank to finance the property purchase as disclosed in note 7. The term loan of \$55,000,000 requires interest only payments for the first 36 months after which time principal and interest payments to commence to effect repayment within 30 years of initial drawdown and maturing on March 29, 2052.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

8. Bank loan (continued):

The Foundation is subject to a number of restrictive covenants, including a financial ratio and non-financial criteria, that require compliance. As at and during the year ended March 31, 2022, the Foundation was in compliance with all covenants.

The bank loan is secured by:

- (i) a property-specific general security agreement, from the Foundation, representing a first charge on the real properties acquired using the proceeds from the bank loan;
- (ii) continuing collateral mortgage and assignment of rents, representing a first charge on the real properties using the proceeds from the bank loan; and,
- (iii) specific assignment of lease between the Foundation and VCHA (note 15(a)), and assignment of all service contracts necessary for the normal operations of the long term care property.

Anticipated annual principal repayments over the next five years and thereafter are as follows:

	2022
2023	\$ -
2024	-
2025	-
2026	1,370,310
2027	1,418,014
2028 and thereafter	52,211,676
	<u>\$ 55,000,000</u>

9. Endowment funds:

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

	2022	2021
Specific Purpose (note 2(a)(ii)):		
Education	\$ 4,335,015	\$ 4,225,027
Equipment	166,363	162,983
Patient care	1,231,247	1,205,052
Research	83,079,848	80,303,275
Other	45,822,167	43,084,390
Endowment funds	<u>\$ 134,634,640</u>	<u>\$ 128,980,727</u>

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

9. Endowment funds (continued):

(b) Endowment funds are invested as follows:

	2022	2021
Portfolio investments (note 4)	\$ 114,242,741	\$ 128,980,727
Amounts invested in capital assets (note 7 (a))	20,391,899	-
Endowment funds held	\$ 134,634,640	\$ 128,980,727

(c) 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 (the "Fund") consists of \$260,000 contributed by the Foundation, \$210,000 contributed by the Vancouver Foundation and \$5,100 received from other contributors. Subsequent to the initial capital, \$31,980 has been received from other contributors.

The Fund is invested in the Vancouver Foundation's pooled investment balanced fund. At March 31, 2022, the Fund has a fair value of \$1,020,066 (2021 - \$1,003,933), of which \$628,194 (2021 - \$578,921) 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, 2022 (2021 - nil).

10. Due to Vancouver Coastal Health Authority:

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

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

11. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$245,038 (2021 - \$186,682), which includes amounts payable for payroll related taxes and contributions. At March 31, 2022, all federal payroll remittances payable are current.

12. VGH Parkade Trust:

The Trust was created by agreement between the Vancouver Coastal Health Authority ("VCHA") and the Foundation. The current agreement expires March 29, 2031. The Trust holds the beneficial interest in VGH's parking lot facility and until August 31, 2019, owned 100% of the shares of VGH Gift Shop Ltd. (the "Gift Shop"). On September 01, 2019, all the assets and liabilities of the Gift Shop were transferred to the Hospital. The bare trustee of the Trust is 578583 B.C. Ltd., a corporation in which the Foundation has a controlling interest. As at March 31, 2022, \$774,294 receivable from the Trust (2021 - nil) is included in accounts receivable (note 5).

In April 2020, the B.C. government suspended pay parking at hospitals and other health facilities amid the COVID-19 crisis. With free parking, the Parkade operations suffered losses resulting in no distributions available. The amount of \$464,877 due from VGH Parkade Trust was deemed not collectible and hence has been written off in fiscal 2021 (note 14).

Effective March 4, 2022, parking was no longer be free at hospitals and other B.C. health authority sites as announced the B.C. Ministry of Health.

The Trust's unaudited financial position as at March 31, 2022 and results of operations for the year ended March 31, 2022 are as follows:

	2022	2021
	(Unaudited)	(Unaudited)
Total assets	\$ 4,760,256	\$ 4,392,119
Total liabilities	4,809,857	4,592,928
Net liabilities	\$ (49,601)	\$ (200,809)
Statement of operations:		
Total revenue	\$ 226,754	\$ (7,932)
Total expenses	978,601	857,404
Undistributable net loss from operations	(751,847)	(865,336)
Other revenue from VCHA	774,294	-
Net earnings distributable to the Foundation	\$ 774,294	\$ -

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

13. Investment income:

Investment income is comprised of the following:

	2022	2021
Interest and dividends	\$ 11,423,324	\$ 8,710,592
Net realized gains on investments	12,487,709	2,876,066
	<u>\$ 23,911,033</u>	<u>\$ 11,586,658</u>

14. Other income (expense):

	2022		2021	
	General Fund	Restricted Funds - Specific Purpose	Total	Total
Net earnings distributable to the Foundation (note 12)	\$ 774,294	\$ -	\$ 774,294	\$ -
Write-off amount due from VGH Parkade Trust (note 12)	-	-	-	(464,877)
Fund management fees	3,160,118	(3,160,118)	-	-
Fundraising recoveries	161,039	-	161,039	1,130,965
Other income	1,732,910	2,347,019	4,079,929	947,700
	<u>\$ 5,828,361</u>	<u>\$ (813,099)</u>	<u>\$ 5,015,262</u>	<u>\$ 1,613,788</u>

15. Related party transactions:

(a) Vancouver Coastal Health Authority:

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

The Foundation entered into an agreement with VCHA to lease and operate the long-term care facility (note 7), with an effective commencement date of March 29, 2022 and lease term of 10 years expiring on March 31, 2032. VCHA pays a base rent per annum plus operating costs and cap-ex amounts as defined under the agreement. The base rent schedule for years 1 to 3 is \$5,000,000, years 4 to 7 is \$5,120,000, and years 8 to 10 is \$5,240,000. Amounts will be recorded as rental income in the Statement of Operations.

(b) Directors and Officers:

During the year, the directors and officers of the organization made donations totaling \$882,412 (2021 - \$748,810) to the Foundation.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

16. Affiliated organization:

Friends of VGH & UBC Hospital Foundation:

The Foundation established a non-profit corporation, Friends of VGH & UBC Hospital Foundation ("Friends"), in Washington State, USA, in 1998. Friends is recognized as a charitable organization under section 501(c)(3) of the U.S. Internal Revenue Service code and is able to provide written substantiation of gifts in order to allow donors to Friends to deduct their donations for U.S. federal income tax purposes. Donated funds raised by Friends, with unanimous ratification by its board of directors, are granted to the Foundation. Friends' financial position and results of operations are not included in the Foundation's financial statements. As at March 31, 2022, Friends had no significant assets or liabilities.

During the year, the Foundation received grants of \$1,093,390 (2021 - nil) from Friends.

17. Disclosure of remuneration:

For the fiscal year ending March 31, 2022, the Foundation paid total remuneration of \$2,615,692 (2021 - \$2,457,134) to the top ten employees and contractors for services, each of whom received total remuneration of \$75,000 or greater. No remuneration was paid to any members of the Board of Directors/Trustees with the exception of the Secretary who is also an employee of the Foundation. The Secretary's remuneration is included in the above employee remuneration disclosure and no other remuneration amounts are paid in addition.

18. Canada Emergency Wage Subsidy:

Due to the COVID-19 pandemic, the Canadian government introduced the Canada Emergency Wage Subsidy ("CEWS") to assist eligible organizations who had lost a certain percentage of their qualifying revenue. During the fiscal year ended March 31, 2022, the Foundation filed eligible CEWS claims totaling \$471,857 (2021 - \$1,135,917) which have been recognized as an expense recovery in the Statement of Operations. As at March 31, 2022, all amounts claimed and recognized have been received with no amounts outstanding.

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.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

19. Financial risks (continued):

(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 accounts and other amounts receivable for impairment and makes provisions as required. Cash and cash equivalents are held with major banks and other reputable financial institutions and therefore not exposed to significant credit risk.

(c) Market risks:

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 and bank loan. 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 fixed income funds, guaranteed investment certificates (note 4) and outstanding bank loan (note 8).

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

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

20. Comparative information:

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