

Non-Consolidated Financial Statements of

ROYAL COLUMBIAN HOSPITAL FOUNDATION

And Independent Auditors' Report thereon

Year ended March 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Directors of Royal Columbian Hospital Foundation

Report on the Audit of Non-consolidated Financial Statements

Opinion

We have audited the non-consolidated financial statements of the Royal Columbian Hospital Foundation, (the "Entity"), which comprise:

- the non-consolidated statement of financial position as at March 31, 2021
- the non-consolidated statement of operations and changes in net assets for the year then ended
- the non-consolidated statement of cash flows for the year then ended
- and notes to the non-consolidated 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 non-consolidated financial position of the Entity as at March 31, 2021, and its non-consolidated results of operations and its non-consolidated 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 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.

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 the 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 the 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 year.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Burnaby, Canada

June 23, 2021

ROYAL COLUMBIAN HOSPITAL FOUNDATION

Non-Consolidated Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 2,936,019	\$ 7,014,867
Short-term investments (note 4)	136,791	-
Accounts receivable	55,170	27,614
Prepaid expenses	37,769	23,929
Due from Fraser Health Authority (note 12)	6,891	180,901
	3,172,640	7,247,311
Tangible capital assets (note 5)		
Long-term investments (note 4)	450,353	466,017
Investment in Fraser Clinical Trials (note 6)	26,037,689	18,448,632
Life insurance policy (note 11)	505,464	566,407
	11,404	11,404
	\$ 30,177,550	\$ 26,739,771

Liabilities and Net Assets


Current liabilities:		
Accounts payable and accrued liabilities	\$ 210,589	\$ 274,781
Due to Fraser Health Authority (note 12)	138,717	63,836
	349,306	338,617
Net assets:		
Unrestricted	10,858,490	9,035,733
Externally restricted (note 7)	17,412,590	15,863,292
Endowment (note 8)	1,557,164	1,502,129
	29,828,244	26,401,154
Commitments (note 10)		
	\$ 30,177,550	\$ 26,739,771

See accompanying notes to non-consolidated financial statements.

Approved on behalf of the Board:



Director



Director

ROYAL COLUMBIAN HOSPITAL FOUNDATION

Non-Consolidated Statement of Operations and Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	Externally Restricted Funds				Endowment Fund	2021 Total	2020 Total
	Unrestricted	Capital Fund	Designated Fund	Total			
Revenue:							
Donations	\$ 2,145,140	\$ -	\$ 8,324,698	\$ 8,324,698	\$ 2,500	\$ 10,472,338	\$ 10,182,289
Gaming income	-	-	105,673	105,673	-	105,673	88,923
Hospital parking lot	300,000	-	-	-	-	300,000	700,000
Investment income (note 9)	2,766,105	139,170	1,680,286	1,819,456	37,466	4,623,027	(1,214,782)
Equity loss from investment in Fraser Clinical Trials Inc. (note 6)	(60,943)	-	-	-	-	(60,943)	(8,593)
Other income (notes 6 and 17)	702,890	-	-	-	-	702,890	40,800
	5,853,192	139,170	10,110,657	10,249,827	39,966	16,142,985	9,788,637
Expenses:							
Amortization	15,664	-	-	-	-	15,664	3,916
Consulting and legal	191,110	2,322	37,498	39,820	639	231,569	245,416
Donor recognition and development	152,072	-	1,885	1,885	-	153,957	177,618
Office, stationery and miscellaneous	219,486	-	-	-	-	219,486	403,519
Postage and direct mail	40,239	-	-	-	-	40,239	28,396
Salaries, benefits and personnel services	1,431,868	-	421,650	421,650	-	1,853,518	1,768,304
Strata fees & property taxes	16,728	-	-	-	-	16,728	-
	2,067,167	2,322	461,033	463,355	639	2,531,161	2,627,169
Excess of revenue over expenses before contributions	3,786,025	136,848	9,649,624	9,786,472	39,327	13,611,824	7,161,468
Contributions to support Fraser Health Authority (note 12)	(797,108)	-	(9,387,626)	(9,387,626)	-	(10,184,734)	(5,352,379)
Excess of revenue over expenses and contributions	2,988,917	136,848	261,998	398,846	39,327	3,427,090	1,809,089
Net assets, beginning of year	9,035,733	5,471,716	10,391,576	15,863,292	1,502,129	26,401,154	24,592,065
Interfund transfers (notes 8(a) and 15)	(1,166,160)	-	1,150,452	1,150,452	15,708	-	-
Net assets, end of year	\$ 10,858,490	\$ 5,608,564	\$ 11,804,026	\$ 17,412,590	\$ 1,557,164	\$ 29,828,244	\$ 26,401,154

See accompanying notes to non-consolidated financial statements.

ROYAL COLUMBIAN HOSPITAL FOUNDATION

Non-Consolidated Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash and cash equivalents provided by (used in):		
Operating:		
Excess of revenue over expenses and contributions	\$ 3,427,090	\$ 1,809,089
Items not involving cash:		
Amortization	15,664	3,916
Unrealized (gain) loss on investments	(3,284,019)	2,176,230
Realized gain on investments	(633,384)	(45,525)
Gift of related party shares	-	(575,000)
Equity loss from investment in Fraser Clinical Trials Inc.	60,943	8,593
Accrued interest income included in investments	(41,721)	(120,799)
	(455,427)	3,256,504
Changes in non-cash operating working capital:		
Accounts receivable	(27,556)	(7,558)
Prepaid expenses	(13,840)	(1,407)
Accounts payable and accrued liabilities	(64,192)	114,889
Due from Fraser Health Authority	174,010	(1,385)
Due to Fraser Health Authority	74,881	(365,274)
	(312,124)	2,995,769
Investments:		
Purchase of investments	(17,286,857)	(6,690,111)
Proceeds on sale of investments	13,520,133	3,647,053
Purchase of tangible capital assets	-	(469,933)
	(3,766,724)	(3,512,991)
Decrease in cash and cash equivalents	(4,078,848)	(517,222)
Cash and cash equivalents, beginning of year	7,014,867	7,532,089
Cash and cash equivalents, end of year	\$ 2,936,019	\$ 7,014,867

See accompanying notes to non-consolidated financial statements.

ROYAL COLUMBIAN HOSPITAL FOUNDATION

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2021

1. Operations:

Royal Columbian Hospital Foundation (the "Foundation") is incorporated under the Societies Act (British Columbia). The Foundation's principal purpose is to fund, facilitate and promote high quality patient care through the provision of financial support for development, education and research at Royal Columbian Hospital. The Foundation receives gifts, bequests, funds and property which, in partnership with Fraser Health Authority (the "Authority"), are used to enhance the role of Royal Columbian Hospital. The Foundation is a registered charity under the Income Tax Act (the "Act") and accordingly, is exempt from income taxes provided certain requirements of the Act are met and is authorized to issue donation receipts for income tax purposes.

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian Federal and Provincial governments, enacting emergency measures to combat the spread of the virus. The current economic climate may have a direct impact on the Foundation's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the operations is not known at this time.

2. Significant accounting policies:

(a) Basis of presentation:

These non-consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(b) 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, restricted contributions are recorded as revenue of the restricted fund to which they relate. 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"). For financial reporting purposes, the accounts have been classified into the following funds:

(i) Unrestricted:

The unrestricted fund reflects the results of operating activities and includes undesignated revenue and donations received by the Foundation.

(ii) Externally restricted:

The externally restricted funds include donations and other funding received by the Foundation which has been designated for specific purposes by the donor or funder.

(iii) Endowment:

The endowment fund comprises donations that are permanently maintained in accordance with donor wishes. The annual investment income earned from these endowments is used for specific purposes, in a manner consistent with the endowment agreement.

ROYAL COLUMBIAN HOSPITAL FOUNDATION

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition. These financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(d) Investments:

Short-term investments are comprised of investments with original terms to maturity of less than one year at the date of purchase. Fixed income investments maturing after one year from date of purchase and pooled investments with no maturity date are classified as long-term investments.

The Foundation applies the equity method as a basis of accounting for its investment in Fraser Clinical Trials Inc. ("FCT"), a controlled profit-oriented enterprise. Under the equity method, the Foundation records its investment initially at cost and the carrying amounts are adjusted thereafter to include FCT's post-acquisition earnings. The adjustments are included in the determination of excess of revenue over expenses and contributions by the Foundation, and the corresponding investment account is also adjusted accordingly. Dividend distributions received or receivable from FCT reduce the carrying amount of the investment.

(e) Tangible capital assets:

Tangible capital assets are stated at cost, less accumulated amortization. Amortization of the building is provided on a straight-line basis over its estimated useful life of 30 years.

Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

Tangible capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the asset no longer has or has reduced long term service potential to the Foundation. If such conditions exist, an impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value or replacement cost.

(f) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions. The capital fund includes the principal of donations received for capital projects and 10% of the investment income earned on the funds to maintain the principal. The endowment fund includes the principal of endowment donations and 10% of the investment income earned on the funds to maintain the principal. The designated fund includes all other restricted revenues and 90% of the investment income earned on the capital fund and endowment fund which is available to distribute to support the Authority in accordance with specific restrictions.

Contributions are recognized as revenue in the appropriate fund in the year received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

Investment income is recognized when earned.

ROYAL COLUMBIAN HOSPITAL FOUNDATION

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

(f) Revenue recognition (continued):

Hospital parking lot revenue is unrestricted and recognized when earned, the amount can be reasonably estimated, and collection is reasonably assured.

(g) Contributed materials and services:

Contributed materials are recorded at their fair market values where the amount is reasonably determinable, and the items would otherwise have been acquired.

Volunteers contribute an indeterminate number of hours to assist the Foundation in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the non-consolidated financial statements.

(h) Use of estimates:

The preparation of the non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the non-consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(i) 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 not elected to carry any other instruments at fair value.

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 costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets 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.

ROYAL COLUMBIAN HOSPITAL FOUNDATION

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

(j) Allocation of expenses:

The Foundation incurs costs to secure and manage gifts, provide recognition and manage the investment of the restricted funds. Accordingly, the Foundation allocates the costs of Foundation activities incurred up to 15% of any restricted fund donations received in the year to externally restricted funds, when agreed to by the donor.

(k) Life insurance policies:

Life insurance policies are recorded at fair value which is equal to the cash surrender value. Premiums are expensed as incurred. Any final pay-out received is recognized as revenue when realized.

(l) Employee future benefits:

The Foundation and its employees contribute to the Municipal Pension Plan. Defined contribution plan accounting is applied to the multi-employer defined benefit plan and, accordingly, contributions are expensed when paid or payable.

3. Cash and cash equivalents:

Cash and cash equivalents include restricted gaming funds of \$241,772 (2020 - \$193,366).

4. Investments:

	2021	2020
Core active bond funds, held at fair value	\$ 7,631,377	\$ 4,348,709
Global equity pooled funds, held at fair value	9,619,991	5,064,884
Canadian equity pooled funds, held at fair value	5,794,255	3,248,260
Canadian equity funds, held at fair value	136,791	-
Money Market fund, held at fair value	225,082	-
Multi credit fund, held at fair value	1,199,368	792,544
Guaranteed investment certificates, held at amortized cost	1,567,616	4,994,235
	26,174,480	18,448,632
Short-term investments	(136,791)	-
Long-term investments	\$ 26,037,689	\$ 18,448,632

The guaranteed investment certificates earn interest at rates ranging from 2.61% to 2.85% (2020 - 2.61% to 2.85%) and will mature in August 2021 (2020 – June 2020 and August 2021).

ROYAL COLUMBIAN HOSPITAL FOUNDATION

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021

5. Tangible capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 469,933	\$ 19,580	\$ 450,353	\$ 466,017

6. Investment in FCT:

In December 2019, the Foundation acquired control of FCT by way of gifts of shares from five donors.

		2021	2020
Investment balance, March 31, 2020	\$	566,407	\$ 575,000
Equity loss		(60,943)	(8,593)
Investment balance, March 31, 2021	\$	505,464	\$ 566,407

Financial information for FCT for the year ended March 31, 2021 is summarized as follows:

		2021	2020
Total assets	\$	801,575	\$ 741,326
Total liabilities		817,397	696,205
Shareholder's equity (deficit)	\$	(15,822)	\$ 45,121

		2021	2020
Total revenue	\$	287,944	\$ 145,109
Total expenses		348,887	153,702
Net loss	\$	60,943	\$ 8,593

		2021	2020
Cash flows from operations	\$	(62,839)	\$ 12,860
Total cash flows	\$	(62,839)	\$ 12,860

The Foundation received \$30,000 (2020 - \$7,500) of rental income from FCT which is included in other income. This transaction is considered to be in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and is at or below fair value.

ROYAL COLUMBIAN HOSPITAL FOUNDATION

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021

7. Externally restricted funds:

	2021	2020
Capital funds:		
Arthur & Irene Bourassa Fund	\$ 2,563,276	\$ 2,500,733
William McKerracher Fund	1,173,852	1,145,210
Meehan Story Fund	1,086,391	1,059,883
Anne & Andrew Park Capital Fund	677,546	661,015
Tom & Mary Hobbs Capital Fund	107,499	104,875
	5,608,564	5,471,716
Designated funds	11,804,026	10,391,576
	\$ 17,412,590	\$ 15,863,292

The capital funds are externally restricted. Revenues earned on related investments shall be used for the purposes of the funds or added to the principal of the funds. The principal, designated by the donor, can be used for capital equipment acquisitions, renovations of facilities and staff and patient education at Royal Columbian Hospital, as set out in the bylaws of the Foundation. Board approval is required for the use and timing of use of the principal. The bylaws state the principal of the capital fund shall only be utilized after a written resolution of the Board is passed by a minimum of two thirds of the entire Board. The principal of the Arthur & Irene Bourassa Fund cannot be utilized until the year 2032.

8. Endowment funds:

	2021	2020
Wintemute Family Memorial Fund	\$ 500,735	\$ 488,518
Blake & Alisa Rowson Fund (a)	326,130	305,741
Florence Leitch Cotton Education Fund (a)	236,252	228,378
J.S. (Jack) and Gertrude Dennis Family Endowment Fund	125,184	122,130
C.M. "Tip" Robertson Memorial Endowment Fund	111,952	109,220
Hazel Emerson Nursing Education Fund	110,861	108,156
Cardiovascular Epidemiology Research Fund	64,087	62,524
Dr. Andrew Tan Memorial Endowment Fund	37,794	36,872
Royal Columbian Hospital Nursing Alumnae G. MacPhail	20,325	19,828
Reginald Skelton Endowment Fund	15,539	15,159
Fred Withers Endowment Fund	8,305	5,603
	\$ 1,557,164	\$ 1,502,129

ROYAL COLUMBIAN HOSPITAL FOUNDATION

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021

8. Endowment funds (continued):

The endowment funds are to be held by the Foundation in perpetuity and any associated revenue is to be used for the designated purpose of each fund or added to the principal of the funds. Investment income from the funds is restricted as follows:

- The Wintemute Family Memorial Fund and the J.S. (Jack) and Gertrude Dennis Family Endowment Fund are for the purpose of capital expenditures for Royal Columbian Hospital.
- The Blake & Alisa Rowson Fund is to support the introduction of innovative health care services.
- The Florence Leitch Cotton Education Fund is to support professional development for nursing staff at Royal Columbian Hospital.
- The C.M. "Tip" Robertson Memorial Endowment Fund is for the acquisition of capital equipment and renovations of facilities at Royal Columbian Hospital.
- The Hazel Emerson Nursing Education Fund is to support registered nurses in the psychiatric and medical areas of Royal Columbian Hospital.
- The Cardiovascular Epidemiology Research Fund is to support patient education and awareness of cardiovascular diseases.
- The Dr. Andrew Tan Memorial Endowment Fund is to support the Intensive Care Unit at Royal Columbian Hospital.
- The Royal Columbian Hospital Nursing Alumnae G. MacPhail Fund is to support an employee of Royal Columbian Hospital who is actively pursuing a Baccalaureate of Nursing Degree, Masters of Nursing Degree, or Specialty Certification and assist with education costs.
- The Reginald Skelton Endowment Fund is to support the Interventional Cardiology Program at Royal Columbian Hospital.
- The terms of reference for the Fred Withers Endowment Fund are being developed.

(a) Interfund transfer:

The terms and conditions of the Blake & Alisa Rowson Fund and Florence Leitch Cotton Education Fund specify that unspent investment income earned on the endowment funds should be capitalized as part of the principal balance. In 2021, the Foundation recognized an interfund transfer of \$15,708 (2020 - \$4,694) to transfer the unspent investment income allocated to the designated funds as per the Foundation's policies to the endowment funds.

ROYAL COLUMBIAN HOSPITAL FOUNDATION

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021

9. Investment income:

Investment income earned by the Foundation is comprised of the following:

	2021	2020
Dividend income	\$ 124,734	\$ 97,050
Interest income	281,864	470,135
Net foreign income	227,530	200,205
Capital gains (losses)	633,384	45,525
Capital gain distributed	71,496	148,533
Unrealized Gain (loss)	3,284,019	(2,176,230)
	<u>\$ 4,623,027</u>	<u>\$ (1,214,782)</u>

10. Commitments:

During the 2020/21 fiscal year the Foundation made commitments to the Authority in order to purchase equipment, fund research and enhance patient care of \$9,381,943. As of March 31, 2021, \$1,167,181 (2020 - \$609,154) of these commitments are still outstanding.

In addition, the Foundation has committed a minimum campaign target of \$39.1 million to assist in the redevelopment of the Royal Columbian Hospital. Funds raised through donations that are specified by the donors to be used towards the redevelopment are held in the externally restricted fund. As at March 31, 2021, the Foundation has received a total of \$9,603,255 in donations and an additional \$6,987,067 in pledges have been made for the redevelopment. The Foundation has disbursed a total of \$5,510,000 to the Authority for the redevelopment to date.

11. Life insurance policy:

The Foundation is the beneficiary of one life insurance policy with a total expected final settlement value of \$100,000. The cash surrender value on the life insurance policy at March 31, 2021 is \$11,404 (2020 - \$11,404). The annual premium payment for the policy is paid by the donor on behalf of the Foundation.

12. Related party transactions and balances:

The amounts due from the Authority consist of donations collected by the Authority on behalf of the Foundation that are owing at year end.

The amounts due to the Authority consist of contributions that are unpaid as at year end.

In fiscal 2021, the Foundation contributed \$292,363 (2020 - \$330,776) of in-kind marketing and communication services to the Authority, \$160,478 (2020 - \$335,946) of in-kind research innovation and development services and \$203,178 (2020 – nil) of in-kind COVID-19 related services. These costs are classified as contributions to support the Authority in the non-consolidated statement of operations.

ROYAL COLUMBIAN HOSPITAL FOUNDATION

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021

12. Related party transactions and balances (continued):

All amounts paid to or received from the Authority are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and are at or below fair value.

13. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to an Investment Policy Statement approved by the Board. The Foundation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Foundation manages interest-rate, market, credit, foreign currency and cash flow risk from its investments by investing in a diversified portfolio.

Additionally, the Foundation believes it is not exposed to significant liquidity risk as all investments are held in pooled fund instruments that are highly liquid.

14. Employee Pension Benefits:

The Foundation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustees pension plan. The board of trustees, representing Plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. The Plan has about 213,000 active members and approximately 106,000 retired members. Active members include 17 contributors from the Foundation.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the Plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be December 31, 2021, with results available in 2022.

During fiscal 2021, the Foundation paid \$168,487 (2020 - \$147,640) for employer contributions to the Plan.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

ROYAL COLUMBIAN HOSPITAL FOUNDATION

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2021

15. Interfund transfers:

The Foundation made transfers from the unrestricted fund to the designated fund of \$1,166,160 for purposes as approved by the Board.

16. Remuneration of employees:

For the fiscal year ending March 31, 2021, the Foundation paid total remuneration of \$1,077,676 (2020 - \$963,881) to nine (2020 - eight) employees, each of whom received total annual remuneration of \$75,000 or greater.

The Foundation did not pay any remuneration to its Board of Directors.

17. Other income - Government assistance:

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 year ended March 31, 2021, CEWS claims made by the Foundation under this program totaled \$492,889 and was recognized as other income under revenue in the Statement of Operations. At March 31, 2021, \$31,338 is included in accounts receivable.