

Financial Statements of

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

Year ended March 31, 2014



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## INDEPENDENT AUDITORS' REPORT

To the Members of British Columbia's Children's Hospital Foundation

### **Report on the financial statements**

We have audited the accompanying financial statements of the British Columbia's Children's Hospital Foundation, which comprise the statement of financial position as at March 31, 2014, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the British Columbia's Children's Hospital Foundation as at March 31, 2014 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Report on other legal and regulatory requirements**

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

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

June 25, 2014

Vancouver, Canada

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Statement of Financial Position  
(in thousands of dollars)

March 31, 2014, with comparative information for 2013

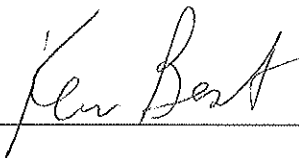
	2014	2013
		(recast - note 14)
<b>Assets</b>		
Current assets:		
Cash	\$ 17,737	\$ 25,373
Accounts receivable (note 9(a))	3,794	3,008
Prepaid expenses and other	68	327
	21,599	28,708
Capital assets (note 3)	312	1,107
Other assets (note 4)	285	393
Investments (note 5)	303,205	247,847
Vancouver Foundation capital fund (note 6)	4,061	4,173
	\$ 329,462	\$ 282,228

## Liabilities and Net Assets

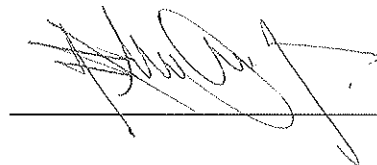
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 6,624	\$ 6,479
Due to Children's and Women's Health Centre of British Columbia (note 9(b))	164,877	133,704
Deferred revenue	168	198
	171,669	140,381
Net assets (deficiency):		
Unrestricted fund	(231)	2,285
Internally restricted fund	69,552	51,858
Capital fund	101	6,147
Externally restricted fund	2,918	2,471
Endowment fund	85,453	79,086
	157,793	141,847
	\$ 329,462	\$ 282,228

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Year ended March 31, 2014, with comparative information for 2013

	Unrestricted fund	Internally restricted funds		Externally restricted fund	Endowment fund	2014	2013
		Internally restricted fund	Capital fund				
(recast - note 14)							
Revenue:							
Fundraising	\$ 27,617	\$ -	\$ -	\$ 28,500	\$ 537	\$ 56,654	\$ 59,114
Lottery	-	-	-	21,592	-	21,592	19,608
Investment income (note 10)	8,842	-	-	3,282	-	12,124	12,207
Vancouver Foundation income (note 6)	555	-	-	198	8	761	1,645
Gross revenue	37,014	-	-	53,572	545	91,131	92,574
Cash surrender value adjustment on other assets (note 2(c))	(59)	-	-	-	-	(59)	(343)
Net revenue	36,955	-	-	53,572	545	91,072	92,231
Expenses:							
Direct fundraising costs	10,846	-	-	-	-	10,846	11,219
Foundation administration	4,730	-	24	-	-	4,754	4,420
Lottery	-	-	-	15,104	-	15,104	14,335
Public relations and community awareness	1,564	-	-	-	-	1,564	1,362
Loss on sale of capital asset (note 3)	-	-	12	-	-	12	119
	17,140	-	36	15,104	-	32,280	31,455
Excess (deficiency) of revenue over expenses before undernoted	19,815	-	(36)	38,468	545	58,792	60,776
Fair value adjustment on investments	15,499	-	-	-	5,220	20,719	4,638
Contributions provided to:							
Children's and Women's Health Centre of British Columbia	(25,573)	-	(10)	(37,113)	(306)	(63,002)	(57,390)
Sunny Hill Foundation for Children	(527)	-	-	-	-	(527)	(200)
BC Women's Hospital Foundation	(36)	-	-	-	-	(36)	-
	(26,136)	-	(10)	(37,113)	(306)	(63,565)	(57,590)
Excess (deficiency) of revenue over expenses	9,178	-	(46)	1,355	5,459	15,946	7,824
Net assets, beginning of year (recast - note 14)	2,285	51,858	6,147	2,471	79,086	141,847	134,023
Interfund transfers (note 11)	(11,694)	17,694	(6,000)	(908)	908	-	-
Net assets (deficiency), end of year	\$ (231)	\$ 69,552	\$ 101	\$ 2,918	\$ 85,453	\$ 157,793	\$ 141,847

See accompanying notes to financial statements.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Statement of Cash Flows  
(in thousands of dollars)

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
		(recast - note 14)
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 15,946	\$ 7,824
Items not involving cash:		
Realized gain on investments	(4,556)	(5,807)
Fair value adjustment on investments	(20,719)	(4,638)
Gift of capital assets	-	(276)
Write-down / loss on sale of capital assets	12	119
Amortization	33	68
Change in other assets	108	339
	(9,176)	(2,371)
Change in non-cash operating working capital:		
Accounts receivable	(786)	(167)
Prepaid expenses and other	259	(215)
Accounts payable and accrued liabilities	145	1,042
Due to Children's and Women's Health Centre of British Columbia	31,173	36,552
Deferred revenue	(30)	41
	21,585	34,882
Investing activities:		
Net change in short-term deposits included in investments	(10,306)	54,108
Purchase of investments	(22,734)	(77,560)
Proceeds from dispositions of investments	2,762	1,142
Purchase of capital assets	(26)	-
Proceeds from sale of capital assets	776	-
Redemption of Vancouver Foundation capital fund	307	884
	(29,221)	(21,426)
Increase (decrease) in cash	(7,636)	13,456
Cash, beginning of year	25,373	11,917
Cash, end of year	\$ 17,737	\$ 25,373

See accompanying notes to financial statements.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements  
(tabular amounts in thousands of dollars)

Year ended March 31, 2014

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## 1. Nature of operations:

The British Columbia's Children's Hospital Foundation (the "Foundation") is incorporated under the Society Act (British Columbia).

The Foundation promotes the development of child health care, in particular at the British Columbia's Children's Hospital, part of the Children's and Women's Health Centre of British Columbia (the "Health Centre"), by providing financial support for the development of research, patient care and education, and the purchase of equipment and facilities.

The Foundation is a charitable organization registered under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met, and is able to issue donation receipts for income tax purposes.

## 2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. The significant accounting policies are as follows:

### (a) Fund accounting and revenue recognition:

In order to ensure observance of the limitations and restrictions placed on the use of resources available, the Foundation follows the restricted fund method of accounting for contributions. Under this method, unrestricted contributions are recognized as revenue of the unrestricted fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions and investment income are recognized as revenue of the externally restricted fund to which they relate. Endowment contributions are recognized as revenue of the endowment fund. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors (the "Board").

Transfers between the funds are made when it is considered appropriate and authorized by the Board. To meet the objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the statement of operations and changes in net assets.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (a) Fund accounting and revenue recognition (continued):

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

#### (i) Unrestricted fund:

The unrestricted fund comprises donations that are not specifically designated by donors, as well as investment income earned that is not externally restricted by donors for a specific purpose. All fundraising and administrative costs are charged to the unrestricted fund, regardless of which fund the resulting donations were directed to by the donor.

#### (ii) Internally restricted fund:

From time to time, the Board may impose certain restrictions on fund balances. These amounts are presented in the statements of financial position and operations and changes in net assets as internally restricted funds. These funds include internally restricted endowment funds and net unrealized gains (losses) on unrestricted investments. The interest earned on the funds will be used to pay operational costs of the Foundation. These internally restricted amounts are not available for other purposes without approval of the Board.

#### (iii) Capital fund:

The capital fund reports the assets, liabilities, contributions restricted for the acquisition of capital assets, expenses and gains on the sale of capital assets related to the Foundation's capital assets.

#### (iv) Endowment fund:

The externally restricted endowment fund comprises donations that are permanently maintained in accordance with donor wishes and recapitalized investment income relating to external donor endowments.

Investment income required to be recapitalized into the endowment funds is determined based on the difference between actual investment income earned and a distribution percentage, as approved by the Board annually, and is recorded as an interfund transfer from the externally restricted fund to the endowment fund.

#### (v) Externally restricted fund:

The externally restricted fund comprises funds for which the purposes have been specifically designated by donors, funds raised through the Foundation's annual lotteries, restricted income received from the Vancouver Foundation and the restricted investment income earned on the endowment funds held by the Foundation. These funds include those which are restricted for use in research, patient care and other designated areas of the Foundation's support contribution activities.



# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2014

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## 2. Significant accounting policies (continued):

### (b) Capital assets:

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

Assets	Years
Buildings	15
Computer equipment	3
Office equipment and furniture	5

### (c) Other assets:

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

The Foundation is also the named beneficiary of various charitable remainder trusts. Revenue is recognized in the unrestricted fund and a corresponding receivable is accrued at the time the trust agreement is signed, based on the present value of expected future cash receipts as determined by an actuary. Any difference between the carrying value and actual cash received upon death of the donor is recognized as revenue or expense in the period of receipt.

### (d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry all its investments and Vancouver Foundation capital fund, which include short-term deposits, notes, and investment certificates, bonds, and common stocks, at fair value.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2014

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## 2. Significant accounting policies (continued):

### (d) Financial instruments (continued):

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 carried at 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) Deferred revenue:

Deferred revenue represents sponsorship monies received in advance of related events.

### (f) 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. During the year ended March 31, 2014, the Foundation recorded contributions of in-kind donations with a fair value of \$465,628 (2013 - \$829,468).

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

### (g) Use of estimates:

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the determination of useful lives of capital assets. Actual results could differ from those estimates.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2014

## 2. Significant accounting policies (continued):

(h) Employee future benefits:

The employees of the Foundation are members of a multi-employer defined benefit plan and accordingly, contributions are expensed as incurred.

(i) Allocation of expenses:

(i) Direct costs:

Direct costs include direct internal costs relating to fundraising activity, event expenses, and third party fundraising program costs.

(ii) Foundation administration and public relations and community awareness expenses:

All expenses related to general management and administrative activities are expensed in the period in which they are incurred as Foundation administration expenses. All expenses related to public relations and marketing are expensed in the period in which they are incurred as public relations and community awareness expenses.

Foundation administration and public relations and community awareness expenses are not allocated to direct costs related to fundraising and event activities.

## 3. Capital assets:

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Land	\$ -	\$ -	\$ -	\$ 590
Buildings	276	-	276	484
Computer equipment	134	133	1	7
Office equipment and furniture	177	142	35	26
	\$ 587	\$ 275	312	\$ 1,107

During the year ended March 31, 2014, the remaining South Surrey home was sold for proceeds of \$776,000. The property had a net book value of \$788,000. The realized loss on sale of the property was \$12,000.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2014

## 4. Other assets:

	2014	2013
Life insurance policies	\$ 214	\$ 322
Charitable remainder trusts	71	71
	\$ 285	\$ 393

## 5. Investments:

Investments are comprised of the following:

	2014	2013
Short-term deposits, notes and investment certificates	\$ 9,505	\$ 1,909
Bonds	157,620	139,065
Equities	136,080	106,873
	\$ 303,205	\$ 247,847

Certain investments are restricted for endowments as follows:

	2014	2013
External, excluding Vancouver Foundation endowment	\$ 81,362	\$ 74,954
Internal	49,011	43,743
	\$ 130,373	\$ 118,697

The yield for the year ended March 31, 2014, including realized gains and losses, was 4.48% (2013 - 6.48%), calculated on the basis of total investment income divided by the sum of the weighted average market value. This yield does not include unrealized gains and losses.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2014

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## 6. Vancouver Foundation capital fund:

The Foundation receives income from restricted funds held at the Vancouver Foundation. The Foundation's rights to the capital have certain restrictions and, accordingly, these funds are not reflected in these financial statements, except as described below. Funds held at the Vancouver Foundation for which the Foundation is the sole recipient of the income have a market value as at March 31, 2014 of approximately \$10,688,000 (2013 - \$10,080,000).

Of this \$10,688,000, approximately \$4,061,000 (2013 - \$4,173,000) relates to the Children's Hospital Foundation Capital Fund (the "Capital Fund"). This Capital Fund is administered by a separate Board of Directors (the "Capital Fund Board") originally established by the Health Centre. At the discretion of the Capital Fund Board, 25% of the capital from this fund can be withdrawn and disbursed to the Foundation in any one year.

The Vancouver Foundation manages the investments in the Capital Fund but disbursements are at the absolute discretion of the Capital Fund Board. The members of the Capital Fund Board are the society members of the Foundation. As a result, the Foundation is deemed to control the Capital Fund. Hence, the Capital Fund is reflected in these financial statements. In the current year, 25% of the capital from this fund was withdrawn and disbursed to the Foundation.

All of the restricted funds, with the exception of the Capital Fund, of approximately \$6,627,000 (2013 - \$5,907,000) will remain with the Vancouver Foundation in perpetuity, with the income flowing to the Foundation. Hence, these funds are not reflected in these financial statements.

## 7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$200,000 (2013 - \$337,000), which includes amounts payable for payroll related taxes and contributions. At March 31, 2014, all federal payroll remittances payable are current.

## 8. Related entities:

### (a) Sunny Hill Foundation for Children:

On October 28, 2000, the Foundation and Sunny Hill Foundation for Children ("Sunny Hill") signed an operational agreement in which all fundraising and fund management activities of Sunny Hill would be run by the Foundation. The reason for the agreement was to better carry out the primary purpose of the two foundations of raising funds for the Health Centre. All assets of Sunny Hill, except for the Sunny Hill Property Trust, are now managed by the Foundation.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2014

## 8. Related entities (continued):

### (a) Sunny Hill Foundation for Children (continued):

Sunny Hill remains a separate legal entity. Accordingly, the Foundation's financial statements exclude the financial position and operating results, including fundraising efforts, of Sunny Hill.

The following is a summary of the financial position and results of operations and changes in net assets of Sunny Hill:

<b>Financial position</b>	2014	2013
Total assets	\$ 14,071	\$ 12,428
Total liabilities	\$ 7,169	\$ 6,430
Net assets:		
Unrestricted fund	2	285
Internally restricted fund	1,171	516
Endowment fund	5,729	5,197
	6,902	5,998
	\$ 14,071	\$ 12,428
<b>Results of operations and changes in net assets</b>	2014	2013
Revenue	\$ 1,272	\$ 1,570
Expenses	(47)	(50)
Fair value adjustment on investments	1,134	324
Contributions provided to the Health Centre	(1,455)	(1,379)
Excess of revenue over expenses	904	465
Net assets, beginning of year	5,998	5,533
Net assets, end of year	\$ 6,902	\$ 5,998

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2014

## 8. Related entities (continued):

### (b) Children's Hospital Foundation Limited:

Children's Hospital Foundation Limited ("CHFL") was incorporated in Hong Kong on March 5, 2008 and granted charitable registration status in Hong Kong on May 9, 2008. CHFL was organized to record the financial activities of fundraising in greater China for the benefit of the Centre for International Child Health ("CICH"). The CICH is a component of the Health Centre and operates to improve the lives and health of children today and in the future through advancing capacity and knowledge in child health globally. The Foundation and CHFL have an administrative services agreement whereby the Foundation provides administrative services to CHFL in order to support the carrying out of its purpose. No administration costs are charged by to CHFL by the Foundation. All assets of CHFL are now managed by the Foundation. CHFL continues to remain as a separate legal entity. Accordingly, the Foundation's financial statements exclude the financial position and operating results, including fundraising efforts realized through CHFL.

The following is a summary of the financial position and results of operations and changes in net assets of CHFL:

<b>Financial position</b>	2014	2013
Total assets	\$ 75	\$ 94
Total liabilities	\$ -	\$ -
Unrestricted net assets	75	94
	\$ 75	\$ 94
<b>Results of operations and changes in net assets</b>	2014	2013
Revenue	\$ 1	\$ 1
Expenses	(20)	(17)
Deficiency of revenue over expenses	(19)	(16)
Net assets, beginning of year	94	110
Net assets, end of year	\$ 75	\$ 94

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2014

## 8. Related entities (continued):

### (c) Sunshine Fund for Kids and Causes:

Sunshine Fund for Kids and Causes ("SFKC") was incorporated federally on July 4, 2008 under the Canada Corporations Act and is registered as a public foundation under the Income Tax Act. SFKC operates a donor-advised fund that makes gifts to the Foundation and other Canadian qualified donees. SFKC and the Foundation have an administrative services agreement whereby the Foundation provides administrative services to SFKC in order to support the carrying out of its purposes. No administration costs are charged to SFKC by the Foundation. All assets of SFKC are now managed by the Foundation. SFKC continues to remain a separate legal entity. Accordingly, the Foundation's financial statements exclude the financial position and operating results, including fundraising efforts realized through SFKC.

During the year ended March 31, 2014, the Foundation has recognized fundraising revenue of nil (2013 - \$28,000) relating to contributions from SFKC.

The following is a summary of the financial position and results of operations and changes in net assets of SFKC:

<b>Financial position</b>	2014	2013
Total assets	\$ 2,013	\$ 1,503
Total liabilities	\$ 60	\$ 5
Net assets:		
Externally restricted fund	128	55
Endowment fund	1,825	1,443
	1,953	1,498
	\$ 2,013	\$ 1,503



# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2014

## 8. Related entities (continued):

(c) Sunshine Fund for Kids and Causes (continued):

<b>Results of operations and changes in net asset</b>	2014	2013
Revenue	\$ 287	\$ 193
Expenses	(14)	(13)
Fair value adjustment on investments	182	50
Contributions provided to:		
Foundation (note 9)	-	(28)
Other Canadian qualified donees	-	(5)
Excess of revenue over expenses	455	197
Net assets, beginning of year	1,498	1,301
Net assets, end of year	\$ 1,953	\$ 1,498

## 9. Related entity balances and transactions:

(a) The Foundation had the following amounts due from related entities included in accounts receivable:

	2014	2013
Due from Sunny Hill (i)	\$ 1,754	\$ 943
Due from Sunny Hill Property Trust ("SHPT") (ii)	1	1
Due (to) from SFKC (iii)	60	(37)
	\$ 1,815	\$ 907

(i) Under the operational merger agreement (note 8(a)), the Foundation manages the receipt of Sunny Hill's gift revenue. During the year ended March 31, 2014, the Foundation collected \$165,000 of gift revenue (2013 - \$708,000) on behalf of Sunny Hill. The Foundation also manages the cash flow needs of Sunny Hill, including, during the normal course of operations, transferring funds from the Foundation to Sunny Hill to fund Sunny Hill's expenses and contributions to the Health Centre. The amount receivable from Sunny Hill is non-interest bearing and has no specific repayment terms.

During the year ended March 31, 2014, the Foundation paid investment management fees on behalf of Sunny Hill of \$32,000 (2013 - \$34,000), and provided supporting contributions to Sunny Hill in the amount of \$527,000 (2013 - \$200,000).

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2014

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## 9. Related entity balances and transactions (continued):

(a) (continued):

(ii) During the year ended March 31, 2014, the Foundation paid expenses on behalf of SHPT of \$1,800 (2013 - \$2,200).

(iii) Under the administrative services agreement (note 8(c)), the Foundation manages the receipt of SFKC's gift revenue. During the year ended March 31, 2014, the Foundation collected \$200,000 of gift revenue (2013 - \$100,000) on behalf of SFKC. In addition, the Foundation paid expenses on behalf of SFKC of \$4,900 (2013 - \$4,800).

During the year ended March 31, 2014, SFKC provided contributions of nil (2013 - \$27,587) to the Foundation.

(b) Contributions provided to the Health Centre as recorded within the statement of operations represent a non-reciprocal, irrevocable obligation of the Foundation. The amount due to the Health Centre as at year end consists of costs incurred by the Health Centre of \$7,409,000 (2013 - \$8,189,000), which are to be reimbursed by the Foundation, as well as contributions receivable from the Foundation of \$157,468,000 (2013 - \$125,478,000) as at March 31, 2014. The balance is non-interest bearing and has no specific repayment terms. The \$157,468,000 is moved to a designated fund and is paid out as the Health Centre draws down on the funds as spent.

The Foundation has a portion of its office located in premises provided on a rent-free basis by the Health Centre. Rent for the year ended March 31, 2014 with a fair value of approximately \$730,000 (2013 - \$835,564) has not been recorded in the statement of operations and changes in net assets. If these facilities were unavailable on this basis, the Foundation would have to rent similar facilities from another landlord.

The Foundation also receives certain administrative services from the Health Centre, including the use of accounting systems, payroll and benefit administration, housekeeping and information technology support. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

## 10. Investment income:

Investment income is comprised of the following:

	2014	2013
Interest and dividends	\$ 7,568	\$ 6,400
Net realized gains on investments	4,556	5,807
	<u>\$ 12,124</u>	<u>\$ 12,207</u>

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2014

## 11. Interfund transfers:

2014	Unrestricted fund	Internally restricted funds (a)	Externally restricted fund	Endowment fund
Approved recapitalization of investment income from unrestricted fund to internally restricted fund	\$ (195)	\$ 195	\$ -	\$ -
Approved recapitalization of investment income from externally restricted fund to endowment fund	-	-	(412)	412
Sundry grants transferred to endowment fund	-	-	(496)	496
Net funds transferred from capital fund to unrestricted fund	4,000	(4,000)	-	-
Net funds transferred of \$2,000 from capital fund to internally restricted fund	-	-	-	-
Approved internal restriction of fair value adjustment on investments	(15,499)	15,499	-	-
	\$ (11,694)	\$ 11,694	\$ (908)	\$ 908

(a) Internally restricted funds include the internally restricted fund and capital fund.

## 12. Financial risks:

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

The Foundation is exposed to interest rate risk on its floating interest rate financial instruments. Fixed-rate instruments subject the Foundation to a fair value risk while the floating rate instruments subject it to cash flow risk. The Foundation is exposed to this risk as a result of investments in bonds and short-term deposits, notes and investment certificates. The risk associated with investments is managed through the Foundation's established investment policy.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation has investments in common stocks which are subject to risks arising from changes in market conditions.

The Foundation believes that it is not exposed to significant foreign currency, credit or liquidity risk arising from its financial instruments.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)  
(tabular amounts in thousands of dollars)

Year ended March 31, 2014

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## **13. Employee pension plan:**

The Foundation and its employees contribute to the Municipal Pension Plan ("Plan"), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has approximately 179,000 active members and approximately 71,000 retired members. Active members include approximately 95 employees of the Foundation.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan, in aggregate, with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The Foundation paid \$652,000 (2013 - \$683,000) for employer contributions to the Plan in fiscal 2014.

## **14. Recast of net asset fund balances for correction of error:**

Management determined that net asset fund balances should be reallocated between the unrestricted fund, internally restricted fund, and endowment fund as certain fair value adjustments on investments recognized in prior years related to realized investment income. Management has corrected this immaterial error on a retroactive basis by recasting the comparative balances. As at March 31, 2013, unrestricted fund net assets increased by \$2,095,000, internally restricted fund net assets decreased by \$2,085,000, and endowment fund net assets decreased by \$10,000, with no impact on total net assets. For the year ended March 31, 2013, investment income increased by \$2,069,000 and fair value adjustment on investments decreased by \$2,069,000, with no impact on excess of revenue over expenses.