

Financial Statements of

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

Years ended March 31, 2013 and 2012



**KPMG LLP**  
**Chartered Accountants**  
Metrotower II  
Suite 2400 - 4720 Kingsway  
Burnaby BC V5H 4N2  
Canada

Telephone (604) 527-3600  
Fax (604) 527-3636  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations and changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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 audits 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, 2013, March 31, 2012 and April 1, 2011, and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 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 principles in the Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a signature flourish.

Chartered Accountants,

June 26, 2013

Burnaby, Canada

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Statements of Financial Position  
(in thousands of dollars)

March 31, 2013, March 31, 2012 and April 1, 2011

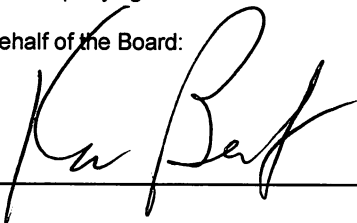
	March 31, 2013	March 31, 2012	April 1, 2011
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$ 25,373	\$ 11,917	\$ 15,428
Accounts receivable (note 9(a))	3,008	2,841	1,026
Prepaid expenses and other	327	112	116
	<u>28,708</u>	<u>14,870</u>	<u>16,570</u>
Capital assets (note 3)	1,107	1,018	2,140
Other assets (note 4)	393	732	1,247
Investments (note 5)	247,847	214,116	193,122
Vancouver Foundation capital fund (note 6)	4,173	6,033	7,258
	<u>\$ 282,228</u>	<u>\$ 236,769</u>	<u>\$ 220,337</u>

## Liabilities and Net Assets

<b>Current liabilities:</b>			
Accounts payable and accrued liabilities (note 7)	\$ 6,479	\$ 5,437	\$ 5,207
Due to related entities (note 9 (b))	133,704	97,152	82,174
Deferred revenue	198	157	125
	<u>140,381</u>	<u>102,746</u>	<u>87,506</u>
<b>Net assets:</b>			
Unrestricted fund	190	366	685
Internally restricted fund	53,943	47,762	47,519
Capital fund	6,147	5,984	6,267
Endowment fund	79,096	77,251	77,266
Externally restricted fund	2,471	2,660	1,094
	<u>141,847</u>	<u>134,023</u>	<u>132,831</u>
	<u>\$ 282,228</u>	<u>\$ 236,769</u>	<u>\$ 220,337</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_

Director

  
\_\_\_\_\_

Director

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Years ended March 31, 2013 and 2012

	Unrestricted fund	Internally restricted funds		Endowment fund	Externally restricted fund	2013
		Internally restricted fund	Capital fund			
<b>Revenue:</b>						
Fundraising	\$ 25,877	\$ -	\$ 276	\$ 731	\$ 32,230	\$ 59,114
Lottery	-	-	-	-	19,608	19,608
Investment income (note 10)	6,595	-	-	-	3,544	10,139
Vancouver Foundation income (note 6)	1,443	-	-	8	194	1,645
Gross revenue	33,915	-	276	739	55,576	90,506
Cash surrender value adjustment on other assets (note 2(c))	(343)	-	-	-	-	(343)
Net revenue	33,572	-	276	739	55,576	90,163
<b>Expenses:</b>						
Direct fundraising costs	11,219	-	-	-	-	11,219
Foundation administration	4,382	-	38	-	-	4,420
Lottery	-	-	-	-	14,335	14,335
Public relations and community awareness	1,362	-	-	-	-	1,362
Writedown of capital assets (note 3)	-	-	119	-	-	119
	16,963	-	157	-	14,335	31,455
Excess of revenue over expenses before undernoted	16,609	-	119	739	41,241	58,708
Change in unrealized gains on investments	5,723	-	-	983	-	6,706
<b>Contributions provided to:</b>						
Children's and Women's Health Centre of British Columbia	(16,053)	-	(30)	(883)	(40,424)	(57,390)
Sunny Hill Foundation for Children	(200)	-	-	-	-	(200)
	(16,253)	-	(30)	(883)	(40,424)	(57,590)
Excess of revenue over expenses	6,079	-	89	839	817	7,824
Net assets, beginning of year	366	47,762	5,984	77,251	2,660	134,023
Interfund transfers (note 11)	(6,255)	6,181	74	1,006	(1,006)	-
Net assets, end of year	\$ 190	\$ 53,943	\$ 6,147	\$ 79,096	\$ 2,471	\$ 141,847

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Statements of Operations and Changes in Net Assets (continued)  
(in thousands of dollars)

Years ended March 31, 2013 and 2012

Recast - note 14	Unrestricted fund	Internally restricted funds		Endowment fund	Externally restricted fund	2012
		Internally restricted fund	Capital fund			
<b>Revenue:</b>						
Fundraising	\$ 27,200	\$ -	\$ -	\$ 1,465	\$ 29,315	\$ 57,980
Lottery	-	-	-	-	17,613	17,613
Investment income (note 10)	3,181	-	-	-	2,717	5,898
Vancouver Foundation income (note 6)	361	-	-	8	196	565
	30,742	-	-	1,473	49,841	82,056
<b>Expenses:</b>						
Direct fundraising costs	10,683	-	-	-	-	10,683
Foundation administration	4,771	-	42	-	-	4,813
Lottery	-	-	-	-	12,871	12,871
Public relations and community awareness	1,585	-	-	-	-	1,585
Loss on sale of capital assets (net of gains) (note 3)	-	-	159	-	-	159
	17,039	-	201	-	12,871	30,111
Excess (deficiency) of revenue over expenses before undernoted	13,703	-	(201)	1,473	36,970	51,945
Change in unrealized gains (losses) on investments	243	-	-	(600)	-	(357)
<b>Contributions provided to:</b>						
Children's and Women's Health Centre of British Columbia	(13,518)	-	(82)	(1,047)	(35,247)	(49,894)
British Columbia's Women's Hospital and Health Centre Foundation	(2)	-	-	-	-	(2)
Sunny Hill Foundation for Children	(500)	-	-	-	-	(500)
	(14,020)	-	(82)	(1,047)	(35,247)	(50,396)
Excess (deficiency) of revenue over expenses	(74)	-	(283)	(174)	1,723	1,192
Net assets, beginning of year	685	47,519	6,267	77,266	1,094	132,831
Interfund transfers (note 11)	(245)	243	-	159	(157)	-
<b>Net assets, end of year</b>	<b>\$ 366</b>	<b>\$ 47,762</b>	<b>\$ 5,984</b>	<b>\$ 77,251</b>	<b>\$ 2,660</b>	<b>\$ 134,023</b>

See accompanying notes to financial statements.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Statements of Cash Flows  
(in thousands of dollars)

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 7,824	\$ 1,192
Items not involving cash:		
Gain on sale of investments	(4,582)	(1,388)
Change in unrealized (gains) losses on investments	(6,706)	357
Gift of capital assets	(276)	-
Write-down / loss on sale of capital assets	119	159
Amortization	68	83
Change in other assets	339	515
	(3,214)	918
Change in non-cash operating working capital:		
Accounts receivable	(167)	(1,815)
Prepaid expenses and other	(215)	4
Accounts payable and accrued liabilities	1,042	230
Due to related entities	36,552	14,978
Deferred revenue	41	32
	34,039	14,347
Investing activities:		
Net change in short-term deposits included in investments	54,108	(19,175)
Purchase of investments	(76,717)	(3,698)
Proceeds from dispositions of investments	1,142	3,087
Purchase of capital assets	-	(76)
Proceeds from sale of capital assets	-	957
Redemption of Vancouver Foundation capital fund	884	1,047
	(20,583)	(17,858)
Increase (decrease) in cash	13,456	(3,511)
Cash, beginning of year	11,917	15,428
Cash, end of year	\$ 25,373	\$ 11,917

See accompanying notes to financial statements.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Years ended March 31, 2013 and 2012

---

## 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.

On April 1, 2012, the Foundation adopted Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provisions in Canadian accounting standards for not-for-profit organizations, the Foundation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Canadian accounting standards for not-for-profit organizations.

A summary of transitional adjustments recorded to net assets and excess of revenue over expenses is provided in note 13.



# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Years ended March 31, 2013 and 2012

---

## 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.

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.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Years ended March 31, 2013 and 2012

---

## 2. Significant accounting policies (continued):

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

#### (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 (note 3).

#### (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.

### (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

---

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Years ended March 31, 2013 and 2012

---

## 2. Significant accounting policies (continued):

### (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. During fiscal 2013, the Foundation changed its policy for measurement of the asset and revenues recognized from the insurance premiums paid basis to measurement of the asset 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. This change resulted in a decrease in other assets of \$343,000 which has been recorded as cash surrender value adjustment on other assets in the statement of operations and changes in net assets for the year ended March 31, 2013.

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.

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.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Years ended March 31, 2013 and 2012

---

## 2. Significant accounting policies (continued):

(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, 2013, the Foundation recorded contributions of in-kind donations with a fair value of \$829,468 (2012 - \$731,368).

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.

(h) 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.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Years ended March 31, 2013 and 2012

### 3. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Land	\$ 590	\$ -	\$ 590
Buildings	602	118	484
Computer equipment	134	127	7
Office equipment and furniture	151	125	26
	\$ 1,477	\$ 370	\$ 1,107

March 31, 2012	Cost	Accumulated amortization	Net book value
Land	\$ 590	\$ -	\$ 590
Buildings	446	89	357
Computer equipment	260	241	19
Office equipment and furniture	151	99	52
	\$ 1,447	\$ 429	\$ 1,018

April 1, 2011	Cost	Accumulated amortization	Net book value
Land	\$ 1,247	\$ -	\$ 1,247
Buildings	937	125	812
Computer equipment	252	223	29
Office equipment and furniture	126	74	52
	\$ 2,562	\$ 422	\$ 2,140

During the year ended March 31, 2012, one of two South Surrey homes was sold for proceeds of \$900,841. The property had a net book value of \$1,071,576. The realized loss on sale of \$170,735, offset by a realized gain of \$12,027 recorded on disposition of office equipment and furniture, was recorded to the capital fund.

Subsequent to March 31, 2013, the Foundation sold the remaining South Surrey home for \$798,000. The Foundation recorded a writedown of \$119,045 to adjust the carrying value of the property to \$798,000 as at March 31, 2013.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Years ended March 31, 2013 and 2012

## 4. Other assets:

	March 31, 2013	March 31, 2012	April 1, 2011
Life insurance policies	\$ 322	\$ 661	\$ 787
Charitable remainder trusts	71	71	460
	\$ 393	\$ 732	\$ 1,247

## 5. Investments:

Investments are comprised of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Short-term deposits, notes and investment certificates	\$ 1,909	\$ 57,090	\$ 41,040
Bonds	139,065	63,000	58,136
Common stocks	106,873	94,026	93,946
	\$ 247,847	\$ 214,116	\$ 193,122

Certain investments are restricted for endowments as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
External, excluding Vancouver Foundation endowment	\$ 74,923	\$ 71,218	\$ 70,008
Internal	43,702	42,134	42,447
	\$ 118,625	\$ 113,352	\$ 112,455

The yield for the year ended March 31, 2013, including realized gains and losses, was 5.15% (2012 - 2.69%), calculated on the basis of total investment income divided by the sum of the weighted average monthly historical cost. This yield does not include unrealized gains and losses.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

(tabular amounts in thousands of dollars)

Years ended March 31, 2013 and 2012

---

## 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, 2013 of approximately \$10,080,000 (March 31, 2012 - \$11,697,000; April 1, 2011 - \$12,993,000).

Of this \$10,080,000, approximately \$4,173,000 (March 31, 2012 - \$6,033,000; April 1, 2011 - \$7,258,000) 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 \$5,907,000 (March 31, 2012 - \$5,664,000; April 1, 2011 - \$5,736,000) 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 \$337,377 (March 31, 2012 - \$300,461; April 1, 2011 - \$294,296), which includes amounts payable for payroll related taxes. At March 31, 2013, all federal payroll remittances payable are current.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Years ended March 31, 2013 and 2012

## 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.

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>	March 31, 2013	March 31, 2012	April 1, 2011
Total assets	\$ 12,428	\$ 11,821	\$ 10,933
Total liabilities	\$ 6,430	\$ 6,287	\$ 5,344
Net assets:			
Unrestricted fund	140	220	208
Endowment fund	5,210	4,901	4,972
Internally restricted fund	648	413	409
	5,998	5,534	5,589
	\$ 12,428	\$ 11,821	\$ 10,933
<b>Results of operations and changes in net assets</b>	Year ended March 31, 2013	Year ended March 31, 2012	
Revenue	\$ 1,466	\$ 1,436	
Expenses	(50)	(33)	
Change in fair value of investments	427	(68)	
Contributions provided to the Health Centre	(1,379)	(1,390)	
Excess (deficiency) of revenue over expenses	464	(55)	
Net assets, beginning of year	5,534	5,589	
Net assets, end of year	\$ 5,998	\$ 5,534	



# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Years ended March 31, 2013 and 2012

## 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 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>	March 31, 2013	March 31, 2012	April 1, 2011
Total assets	\$ 74	\$ 110	\$ 124
Total liabilities	\$ -	\$ -	\$ -
Unrestricted net assets	74	110	124
	\$ 74	\$ 110	\$ 124

<b>Results of operations and changes in net assets</b>	Year ended March 31, 2013	Year ended March 31, 2012
Revenue	\$ 1	\$ 1
Expenses	(37)	(15)
Deficiency of revenue over expenses	(36)	(14)
Net assets, beginning of year	110	124
Net assets, end of year	\$ 74	\$ 110

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

(tabular amounts in thousands of dollars)

Years ended March 31, 2013 and 2012

## 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, 2013, the Foundation has recognized fundraising revenue of \$27,587 (2012 - \$31,415) relating to contributions from SFKC.

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

<b>Financial position</b>	March 31, 2013	March 31, 2012	April 1, 2011
Total assets	\$ 1,503	\$ 1,374	\$ 1,235
Total liabilities	\$ 5	\$ 73	\$ 22
Net assets (deficit):			
Externally restricted fund	22	(8)	1
Endowment fund	1,476	1,309	1,212
	1,498	1,301	1,213
	\$ 1,503	\$ 1,374	\$ 1,235

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Years ended March 31, 2013 and 2012

## 8. Related entities (continued):

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

Results of operations and changes in net asset	Year ended March 31, 2013	Year ended March 31, 2013
Revenue	\$ 175	\$ 142
Expenses	(13)	(14)
Change in fair value of investments	68	(4)
Contributions provided to:		
Foundation (note 9)	(28)	(31)
Other Canadian qualified donees	(5)	(5)
Excess of revenue over expenses	197	88
Net assets, beginning of year	1,301	1,213
Net assets, end of year	\$ 1,498	\$ 1,301

## 9. Related entity balances and transactions:

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

	March 31, 2013	March 31, 2012	April 1, 2011
Due from Sunny Hill (i)	\$ 943	\$ 413	\$ 1
Due from Sunny Hill Property Trust ("SHPT") (ii)	1	16	1
Due (to) from SFKC (iii)	(37)	68	17
	\$ 907	\$ 497	\$ 19

(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, 2013, the Foundation collected \$707,859 of gift revenue (2012 - \$549,379) 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, 2013, the Foundation paid investment management fees on behalf of Sunny Hill of \$34,107 (2012 - \$32,393), and provided supporting contributions to Sunny Hill in the amount of \$200,000 (2012 - \$500,000).

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

(tabular amounts in thousands of dollars)

Years ended March 31, 2013 and 2012

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

(a) (continued):

(ii) During the year ended March 31, 2013, the Foundation paid expenses on behalf of SHPT of \$2,221 (2012 - \$1,896).

(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, 2013, the Foundation collected \$100,000 of gift revenue (2012 - \$100,000) on behalf of SFKC.

During the year ended March 31, 2013, SFKC provided contributions of \$27,587 (2012 - \$31,415) to the Foundation. During the year ended March 31, 2013, the Foundation paid expenses on behalf of SFKC of \$4,798 (2012 - \$4,124).

(b) The Foundation had the following amounts due to related entities:

	March 31, 2013	March 31, 2012	April 1, 2011
Due to the Health Centre (i)	\$ 133,704	\$ 97,152	\$ 82,070
Due to CHFL (ii)	-	-	104
	\$ 133,704	\$ 97,152	\$ 82,174

(i) The amount due to the Health Centre consists of costs incurred by the Health Centre of \$8,189,000 (March 31, 2012 - \$2,528,000; April 1, 2011 - \$13,789,000), which are to be reimbursed by the Foundation, as well as contributions receivable from the Foundation of \$125,478,000 (March 31, 2012 - \$94,624,000; April 1, 2011 - \$68,281,000). The balance is non-interest bearing and has no specific repayment terms. The \$125,478,000 is moved to a designated fund and is paid out as the Health Centre incurs qualifying expenditures.

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, 2013 with a fair value of approximately \$835,564 (2012 - \$825,500) 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.

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.

(ii) At April 1, 2011, the Foundation owed CHFL \$104,000 for gift revenues collected by the Foundation on behalf of CHFL that was not yet remitted to CHFL.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Years ended March 31, 2013 and 2012

## 10. Investment income:

Investment income is comprised of the following:

	2013	2012
Interest and dividends	\$ 5,557	\$ 4,510
Net realized gains on investments	4,582	1,388
	<b>\$ 10,139</b>	<b>\$ 5,898</b>

## 11. Interfund transfers:

2013	Unrestricted Fund	Internally Restricted Funds (a)	Endowment Fund	Externally Restricted Fund
Approved recapitalization of investment income from unrestricted fund to internally restricted fund	\$ (458)	\$ 458	\$ -	\$ -
Approved recapitalization of investment income from externally restricted fund to endowment fund	-	-	858	(858)
Sundry grants transferred to endowment fund	-	-	148	(148)
Net funds transferred from unrestricted fund to capital fund	(74)	74	-	-
Approved internal restriction of unrealized gain on investments	(5,723)	5,723	-	-
	<b>\$ (6,255)</b>	<b>\$ 6,255</b>	<b>\$ 1,006</b>	<b>\$ (1,006)</b>

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

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

Years ended March 31, 2013 and 2012

## 11. Interfund transfers (continued):

2012	Unrestricted Fund	Internally Restricted Funds (a)	Endowment Fund	Externally Restricted Fund
Approved transfer from unrestricted fund to endowment fund	\$ (2)	\$ -	\$ 2	\$ -
Approved recapitalization of investment income from externally restricted fund to endowment fund	-	-	78	(78)
Sundry grants transferred to endowment fund	-	-	79	(79)
Approved internal restriction of unrealized gain on investments	(243)	243	-	-
	\$ (245)	\$ 243	\$ 159	\$ (157)

(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 fixed and 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  
(tabular amounts in thousands of dollars)

Years ended March 31, 2013 and 2012

---

## 13. Transitional adjustments:

(a) Net assets:

There were no adjustments to net assets as at April 1, 2011 as a result of the transition to Canadian accounting standards for not-for-profit organizations.

(b) Excess of revenue over expenses:

The following table summarizes the impact of the transition to Canadian accounting standards for not-for-profit organizations on the Foundation's excess of revenue over expenses for the year ended March 31, 2012:

---

Excess of revenue over expenses:		
As previously reported under Canadian generally accepted accounting principles, for the year ended March 31, 2012	\$	1,549
Transition adjustment to recognize fair value adjustments to excess of revenue over expenses (i)		(357)
<hr/>		
Restated, for the year ended March 31, 2012	\$	1,192

---

(i) Transition adjustment to recognize fair value adjustments to excess of revenue over expenses:

The Foundation has previously classified investments and Vancouver Foundation capital fund as available-for-sale, and recorded fair value adjustments as a direct increase or decrease to net assets in the statement of operations and changes in net assets. In accordance with Canadian accounting standards for not-for-profit organizations, all financial assets, other than investments in equity instruments that are quoted in an active market, are measured at amortized cost unless the entity elects to measure the financial asset at fair value. The Foundation has elected to carry investments and Vancouver Foundation capital fund, which include short-term deposits, notes, and investment certificates, bonds, and common stocks, at fair value, and as a result will record fair value adjustments as an increase or decrease to excess of revenue over expenses.

(c) Cash flow from operating activities:

There were no adjustments to cash flow from operating activities for the year ended March 31, 2012 as a result of the transition to Canadian accounting standards for not-for-profit organizations.

(d) Transitional elections:

The Foundation has made no transitional elections as at the transition date of April 1, 2011 on the first time adoption of Canadian accounting standards for not-for-profit organizations.

# BRITISH COLUMBIA'S CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

(tabular amounts in thousands of dollars)

Years ended March 31, 2013 and 2012

---

## **14. Recast of 2012 statement of operations and net assets:**

In addition to the transitional adjustments resulting from the retrospective application of Canadian accounting standards for not-for-profit organizations as discussed in note 13, the Foundation made certain immaterial presentation corrections on a retrospective basis to the amounts recorded between the individual funds relating to investment income, changes in unrealized gains on investments, contributions provided to the Health Centre, and interfund transfers. For the year ended March 31, 2012, investment income of \$2,717,000, previously recorded to the unrestricted fund, is now recorded to the externally restricted fund, and change in unrealized gains on investments of \$243,000, previously recorded to the internally restricted fund, is now recorded to the unrestricted fund. Corresponding adjustments were recorded to the contributions provided to the Health Centre and interfund transfers such that the changes did not result in any adjustments to the individual fund net asset balances previously reported as at April 1, 2011 and March 31, 2012 under pre-transition Canadian generally accepted accounting principles.