

Financial Statements of

**PEACE ARCH HOSPITAL AND
COMMUNITY HEALTH FOUNDATION**

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Directors of Peace Arch Hospital and Community Health Foundation

Report on the Financial Statements

Opinion

We have audited the financial statements of Peace Arch Hospital and Community Health Foundation (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

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

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

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

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



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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Entity to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Vancouver, Canada
May 30, 2019

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 8,197,707	\$ 5,317,748
Investments (note 4)	42,428,861	38,174,928
Accounts receivable	415,811	283,450
Prepaid expenses	160,213	78,037
	<u>51,202,592</u>	<u>43,854,163</u>
Capital assets (note 5)	31,412,174	15,234,192
Investments held for endowment (note 4)	872,684	497,535
Cash surrender value of life insurance policies (note 6)	95,705	91,780
	<u>\$ 83,583,155</u>	<u>\$ 59,677,670</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,721,452	\$ 1,246,816
Due to Fraser Health Authority (note 10)	74,525	69,967
Construction holdback payable (note 3)	1,541,060	418,768
Deferred revenue	222,349	204,131
Construction financing (note 7)	14,983,130	-
	<u>18,542,516</u>	<u>1,939,682</u>
Net assets:		
Unrestricted	18,784,453	13,771,968
Invested in capital assets (note 8(a))	16,429,044	15,234,192
Internally restricted	13,805,301	14,309,991
Externally restricted	15,149,157	13,924,302
Endowment	872,684	497,535
	<u>65,040,639</u>	<u>57,737,988</u>

Commitments and contingencies (note 11)

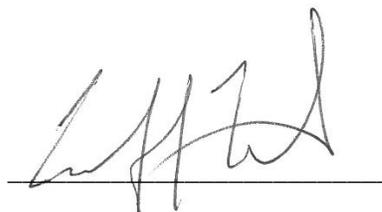
	<u>\$ 83,583,155</u>	<u>\$ 59,677,670</u>
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See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Operations

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

	Unrestricted	Invested in capital assets	Restricted Funds			Endowment	Total 2019	Total 2018
			Internally restricted	Externally restricted	Total restricted			
Revenue:								
Donations	\$ 6,556,233	\$ -	\$ -	\$ 5,349,433	\$ 5,349,433	\$ 375,149	\$ 12,280,815	\$ 5,317,084
Special events	38,114	-	-	944,672	944,672	-	982,786	1,173,975
Other rental income	76,707	-	-	-	-	-	76,707	106,952
Ancillary parking	472,365	-	-	-	-	-	472,365	458,572
Investment income (note 4)	1,943,378	-	-	-	-	-	1,943,378	1,366,443
Fair value adjustment on investments	(451,741)	-	-	-	-	-	(451,741)	238,797
	8,635,056	-	-	6,294,105	6,294,105	375,149	15,304,310	8,661,823
Expenses:								
Fundraising	492,451	-	-	518,217	518,217	-	1,010,668	824,341
Ancillary	59,366	-	-	-	-	-	59,366	178,516
Salaries, wages and benefits	1,323,848	-	-	-	-	-	1,323,848	1,127,895
Office and administration	341,986	-	-	-	-	-	341,986	446,463
Amortization of capital assets	-	37,591	-	-	-	-	37,591	34,823
Write-down of capital assets (note 5(a))	-	323,622	-	-	-	-	323,622	-
	2,217,651	361,213	-	518,217	518,217	-	3,097,081	2,612,038
Excess (deficiency) of revenue over expenses before the following:	6,417,405	(361,213)	-	5,775,888	5,775,888	375,149	12,207,229	6,049,785
Community grants and projects	(100,500)	-	(1,043,487)	(32,462)	(1,075,949)	-	(1,176,449)	(371,203)
Contributions to Peace Arch Hospital	(184,366)	-	(33,270)	(3,510,493)	(3,543,763)	-	(3,728,129)	(1,563,271)
Excess (deficiency) of revenue over expenses	\$ 6,132,539	\$ (361,213)	\$ (1,076,757)	\$ 2,232,933	\$ 1,156,176	\$ 375,149	\$ 7,302,651	\$ 4,115,311

See accompanying notes to financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Changes in Net Assets

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

	Unrestricted	Invested in capital assets (note 8)	Restricted Funds			Endowment	Total 2019	Total 2018
			Internally restricted	Externally restricted	Total restricted			
Net assets, beginning of year	\$ 13,771,968	\$ 15,234,192	\$ 14,309,991	\$ 13,924,302	\$ 28,234,293	\$ 497,535	\$ 57,737,988	\$ 53,622,677
Excess (deficiency) of revenue over expenses	6,132,539	(361,213)	(1,076,757)	2,232,933	1,156,176	375,149	7,302,651	4,115,311
Net change in invested in capital assets (note 12)	(1,226,847)	1,556,065	-	(329,218)	(329,218)	-	-	-
Fund transfers during the year (note 12)	106,793	-	572,067	(678,860)	(106,793)	-	-	-
Net assets, end of year	\$ 18,784,453	\$ 16,429,044	\$ 13,805,301	\$ 15,149,157	\$ 28,954,458	\$ 872,684	\$ 65,040,639	\$ 57,737,988

See accompanying notes to financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Cash Flows

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

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 7,302,651	\$ 4,115,311
Items not involving cash:		
Amortization of capital assets	37,591	34,823
Write-down of capital assets	323,622	-
Fair value adjustment on investments	451,741	(238,797)
Gain on sale of investments	(784,603)	(213,324)
Increase in cash surrender value of life insurance	(3,925)	(3,783)
Receipt of securities as donations	(657,059)	(1,061,146)
Accrued dividends and interest income included in investments	(101,890)	5,909
Changes in non-cash operation working capital:		
Accounts receivable	(132,361)	(127,810)
Prepaid expenses	(82,176)	(6,635)
Accounts payable and accrued liabilities	474,636	1,036,525
Due to Fraser Health Authority	4,558	(143,157)
Construction holdback payable	1,122,292	418,768
Deferred revenue	18,218	30,598
	7,973,295	3,847,282
Financing:		
Proceeds from construction financing	14,983,130	-
Investing:		
Proceeds from sale of investments	13,603,623	24,327,749
Purchase of investments	(17,140,894)	(19,315,579)
Purchase of capital assets	(16,539,195)	(6,680,527)
	(20,076,466)	(1,668,357)
Increase in cash and cash equivalents	2,879,959	2,178,925
Cash and cash equivalents, beginning of year	5,317,748	3,138,823
Cash and cash equivalents, end of year	\$ 8,197,707	\$ 5,317,748

See accompanying notes to financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

1. Operations:

Peace Arch Hospital and Community Health Foundation (the "Foundation") transitioned to the Societies Act (British Columbia) on November 29, 2016. The Foundation's principal purpose is to raise funds and awareness to enhance the health and wellness in the community of South Surrey/White Rock. 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.

2. Significant accounting policies:

(a) Basis of presentation:

These 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 fund:

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

(ii) Externally restricted fund:

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

(iii) Internally restricted fund:

The internally restricted fund includes amounts designated for specific purposes by the Board.

(iv) Capital assets fund:

The capital assets fund includes capital assets acquired by the Foundation less related debt and amortization.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(b) Fund accounting (continued):

(v) Endowment fund:

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.

(c) Cash and cash equivalents:

Cash and cash equivalents include investments with a term to maturity of three months or less at the date of purchase.

(d) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization of computer hardware and software is provided on a straight-line basis over their estimated useful life of 3 years. All other office equipment and other related assets have been fully amortized.

Costs capitalized relating to assets under construction are not amortized until the assets are available for productive use.

Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Foundation's ability to provide services, it is reviewed for impairment and its carrying amount is written down to its residual value.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry all investments 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.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

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.

(f) Cash surrender value of life insurance policies:

The Foundation is the owner and beneficiary of various donated life insurance policies. These policies are recorded at the cash surrender values.

(g) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions.

Unrestricted contributions are recognized in the unrestricted fund as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the related restricted funds when received if a relevant restricted fund exists. Externally restricted contributions for future expenses for which a restricted fund does not exist are recorded as deferred revenue in the unrestricted fund and recognized as revenue in the period the related expense is incurred or the restrictions are met.

Endowment contributions are recognized as revenue of the endowment funds when received.

Investment income is recognized when earned and recorded to the respective funds.

Event revenues received in advance for subsequent years' fundraising events are recorded as deferred revenue. These revenues are recognized as revenue in the period in which the event occurs.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(h) 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.

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

(i) 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.

(j) General and administration expenses:

All expenses related to general management, marketing and administrative activities, are expensed in the period in which they are incurred. General and administration expenses are included in the unrestricted fund and are not allocated to the other funds.

(k) Use of estimates:

The preparation of 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 reporting period. Significant areas requiring the use of management estimates relate to valuation of accounts receivable, useful lives for amortization of capital assets and provisions for accrued liabilities and contingencies. Actual results may ultimately differ from these estimates.

3. Cash and cash equivalents:

Included in cash and cash equivalents is \$1,428,695 (2018 - \$418,878) relating to the construction holdback account. Included in this amount is interest earned of \$6,881. The construction holdback payable account includes \$119,246 relating to the holdback on an accrual, which was deposited into the construction holdback account in April 2019.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

4. Investments:

The aggregate fair value of the Foundation's investments consists of:

	2019	2018
Fixed income securities	\$ 22,867,829	\$ 19,883,522
Common stock and other equity instruments	20,433,716	18,788,941
	<u>\$ 43,301,545</u>	<u>\$ 38,672,463</u>

The amounts are allocated as presented in the statement of financial position as follows:

	2019	2018
Investments	\$ 42,428,861	\$ 38,174,928
Investments held for endowment	872,684	497,535
Total investments	<u>43,301,545</u>	<u>38,672,463</u>
Less restricted funds required:		
Internally restricted funds	13,805,301	14,309,991
Externally restricted funds	15,149,157	13,924,302
Endowment restricted funds	872,684	497,535
	<u>29,827,142</u>	<u>28,731,828</u>
Unrestricted investments	<u>\$ 13,474,403</u>	<u>\$ 9,940,635</u>

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

	2019	2018
Dividend income	\$ 522,556	\$ 492,488
Interest income	636,219	660,631
Capital gains	784,603	213,324
	<u>\$ 1,943,378</u>	<u>\$ 1,366,443</u>

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

5. Capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Parking lots:				
Land	\$ 7,271,455	\$ -	\$ 7,271,455	\$ 7,271,455
Improvements (a)	-	-	-	351,150
Computer hardware and software	128,071	116,758	11,313	15,255
Construction in Progress - Residential Care/Hospice (b)	24,129,406	-	24,129,406	7,596,332
	<u>\$ 31,528,932</u>	<u>\$ 116,758</u>	<u>\$ 31,412,174</u>	<u>\$ 15,234,192</u>

(a) During the year, parking lot improvements with a net book value of \$323,622 were written off as the related land is being used for the residential care/hospice residence development which renders the prior improvement costs having no further service benefit.

(b) Construction in progress relates to costs that are directly attributable to the construction and development of a residential care/hospice residence by the Foundation that will be leased and operated by the Fraser Health Authority ("FHA"). Costs incurred to date include construction, project management, engineering, and architectural costs and interest.

6. Cash surrender value of life insurance policies:

Premiums paid toward the life insurance policies are allocated between insurance costs and income earned. The premiums are paid either by the donors of the policies or by the Foundation out of monies donated to it for that purpose. The aggregate face value of these policies is \$338,093 (2018 - \$713,093) and will be recognized as revenue when received.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

7. Construction financing:

	2019	2018
Bankers' Acceptances	\$ 13,385,000	\$ -
Royal Bank Prime loan	1,598,130	-
	<u>\$ 14,983,130</u>	<u>\$ -</u>

The construction financing consists of a non-revolving term facility, by way of Royal Bank Prime ("RBP") loans (interest bearing at RBP plus 0% per annum) and/or Bankers' Acceptances (bearing acceptance fees of 1.0% per annum) to a maximum of \$37,000,000. Interest is payable monthly on borrowings under the RBP loan. The Bankers' Acceptances held as at March 31, 2019 have a term of 30-days, bear interest at an effective rate of 2.01% and mature on April 5, 2019. The Bankers' Acceptances were most recently renewed to June 5, 2019. All borrowings under this facility shall be repayable in full on January 31, 2020, which is the conversion date to long-term financing of the construction costs.

The Foundation also has a \$2,000,000 non-revolving demand facility by way of Letters of Guarantee available under its Royal Bank credit facility. \$1,333,046 (2018 - nil) in letters of guarantee were outstanding as at March 31, 2019 (note 11).

The security for the borrowings includes a collateral mortgage in the amount of \$46,000,000, constituting a first charge on the project lands; a project specific security agreement constituting a first ranking interest on all present and after-acquired real property; and a tripartite agreement with FHA whereby FHA consents to the assignment of the lease as security.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2019	2018
Capital assets	\$ 31,412,174	\$ 15,234,192
Amounts financed by:		
Construction financing	(14,983,130)	-
	\$ 16,429,044	\$ 15,234,192

(b) Deficiency of revenue over expenses in capital assets:

	2019	2018
Amortization of capital assets	\$ (37,591)	\$ (34,823)
Write-down of capital assets	(323,622)	-
	\$ (361,213)	\$ (34,823)

(c) Change in net assets invested in capital assets:

	2019	2018
Purchase of capital assets	\$ 16,539,195	\$ 6,680,527
Proceeds from construction financing	(14,983,130)	-
	\$ 1,556,065	\$ 6,680,527

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

9. Employee pension benefits:

The Foundation and its employees contribute to the Municipal Pension Plan (the "Plan"), a multi-employer, 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 defined benefit pension plan. Basic pension benefits provided are based on a formula. The Plan has about 197,000 active members and approximately 95,000 retired members. Active members include 17 contributors from the Foundation.

The most recent actuarial valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits. The next valuation will be December 31, 2018, with results available in 2019.

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.

During fiscal 2019, the Foundation paid \$93,934 (2018 - \$84,183) for employer contributions to the Plan.

10. Fraser Health Authority:

The amounts recognized as owing to FHA represent qualifying expenditures as incurred by the Peace Arch Hospital and funded by the Foundation.

FHA provides office space for the Foundation's use on a no-charge basis. As the fair value of the use of this space is not readily determinable, no related amount has been recognized in the financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

11. Commitments and contingencies:

The Foundation is planning to assist in the funding of costs related to the Peace Arch Hospital site redevelopment plan, including the emergency room expansion and new operating rooms. Funds raised through outright gifts specified by the donors to be used towards these redevelopment projects are held in the externally restricted fund. They are complemented by amounts set aside in the internally restricted fund that are intended to allow the Foundation to meet its funding commitments for these two major projects. The remaining amounts committed will be met through outstanding pledges and fundraising in subsequent years.

	Emergency room	Operating room
Externally restricted	\$ 8,707,041	\$ 3,759,748
Internally restricted	2,922,213	10,000,000
Outstanding pledges/fundraising	870,746	8,240,252
Outstanding commitment	12,500,000	22,000,000
Funded to date	2,500,000	-
Total commitment	\$ 15,000,000	\$ 22,000,000

The Foundation issues letters of guarantees through its financial institutions to provide guarantees to certain parties. Outstanding letters of guarantee amount to \$1,333,046 (2018 - nil).

12. Fund transfers:

The Foundation made transfers from the externally restricted fund of \$678,860 to the unrestricted fund and internally restricted fund for purposes as approved by the Board and in accordance with any restrictions based on donor specifications. In addition, \$329,218 and \$1,226,847 was transferred from the externally restricted fund and unrestricted fund, respectively, and invested in capital assets relating to the residential care and hospice construction.

13. Related party transactions:

The Foundation incurred costs for legal and consulting fees totaling \$220,221 (2018 - \$299,000) with parties with which certain members of its Board of Directors are associated. These transactions are considered to be in the normal course of business 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.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

14. Remuneration of employees:

For the year ending March 31, 2019, the Foundation paid total remuneration of \$535,676 (2018 - \$427,231) to five (2018 - four) employees, each of whom received total annual remuneration of \$75,000 or greater.

No remuneration was paid to any members of the Foundation's Board of Directors.

15. Funds held at the Vancouver Foundation:

The Foundation established an endowment fund (the "Fund") which is administered by the Vancouver Foundation and is permanently restricted. The principal cannot be withdrawn and, accordingly, the balance of \$10,100 (2018 - \$10,100) is not reflected in these financial statements. Any distributions received are included as income in the period. Under the terms of the Fund, the Foundation receives investment income earned on the investments. Income of \$547 (2018 - \$520) from the Fund has been recorded in the unrestricted fund balance of the Foundation. As at March 31, 2019, the Fund's market value was \$14,856 (2018 - \$14,610).

16. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy 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. For financial assets, the Foundation is exposed to interest rate risks as a result of investments in short-term deposits, bond funds and investment certificates. The risks associated with investments are managed through the Foundation's established investment policy. For financial liabilities, the Foundation's exposure relates to the floating rate construction financing as described in note 7.

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 fixed income securities, common stock and other equity instruments 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 risks arising from its financial instruments.