

Financial Statements of

**PEACE ARCH HOSPITAL AND
COMMUNITY HEALTH FOUNDATION**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Directors of Peace Arch Hospital and Community Health Foundation

Report on the Audit of 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, 2020
- 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, 2020, 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'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Vancouver, Canada
June 4, 2020

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 5,047,540	\$ 8,197,707
Investments (note 4)	14,173,072	15,429,670
Accounts receivable (note 10(a))	3,396,885	415,811
Prepaid expenses	178,994	160,213
	<u>22,796,491</u>	<u>24,203,401</u>
Capital assets (note 5)	47,440,783	31,412,174
Investments (note 4)	32,357,256	26,999,191
Investments held for endowment (note 4)	872,684	872,684
Cash surrender value of life insurance policies (note 6)	99,710	95,705
	<u>\$ 103,566,924</u>	<u>\$ 83,583,155</u>

Liabilities and Net Assets

Current liabilities:		
Construction financing (note 7)	\$ 37,000,000	\$ 14,983,130
Accounts payable and accrued liabilities	725,372	1,721,452
Due to Fraser Health Authority (note 10(b))	2,948,860	74,525
Construction holdback payable	2,996,804	1,541,060
Interest rate swap liability (note 7)	7,136,305	-
Deferred revenue	262,264	222,349
	<u>51,069,605</u>	<u>18,542,516</u>
Net assets:		
Unrestricted	14,217,383	18,784,453
Invested in capital assets (note 8(a))	15,567,124	16,429,044
Internally restricted	12,623,827	13,805,301
Externally restricted	9,216,301	15,149,157
Endowment	872,684	872,684
	<u>52,497,319</u>	<u>65,040,639</u>
Subsequent event - construction financing (note 7)		
Subsequent event - lease with Fraser Health Authority (note 10(d))		
Commitments and contingencies (note 11)		
	<u>\$ 103,566,924</u>	<u>\$ 83,583,155</u>

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, 2020, with comparative information for 2019

	Unrestricted	Invested in capital assets	Restricted Funds		Total restricted	Total 2020	Total 2019
			Internally restricted	Externally restricted			
Revenue:							
Donations	\$ 6,061,989	\$ -	\$ -	\$ 4,675,259	\$ 4,675,259	\$ 10,737,248	\$ 12,280,815
Special events	66,183	-	-	940,379	940,379	1,006,562	982,786
Other rental income	78,325	-	-	-	-	78,325	76,707
Ancillary parking	462,894	-	-	-	-	462,894	472,365
Investment income (note 4)	3,907,390	-	-	-	-	3,907,390	1,943,378
Fair value adjustment on investments (note 17)	(4,926,978)	-	-	-	-	(4,926,978)	(451,741)
	5,649,803	-	-	5,615,638	5,615,638	11,265,441	15,304,310
Expenses:							
Fundraising	477,873	-	-	583,482	583,482	1,061,355	1,010,668
Ancillary	144,719	-	-	-	-	144,719	59,366
Interest expense	227,030	-	-	-	-	227,030	-
Salaries, wages and benefits	1,357,802	-	-	-	-	1,357,802	1,323,848
Office and administration	454,111	-	-	-	-	454,111	341,986
Amortization of capital assets	-	8,359	-	-	-	8,359	37,591
Write-down of capital assets	-	-	-	-	-	-	323,622
	2,661,535	8,359	-	583,482	583,482	3,253,376	3,097,081
Excess (deficiency) of revenue over expenses before the following:							
	2,988,268	(8,359)	-	5,032,156	5,032,156	8,012,065	12,207,229
Community grants and projects	(500)	-	(378,608)	(5,880)	(384,488)	(384,988)	(1,176,449)
Contributions to Peace Arch Hospital	(1,417,706)	-	(773,770)	(10,842,616)	(11,616,386)	(13,034,092)	(3,728,129)
Excess (deficiency) of revenue over expenses, before the following:							
	1,570,062	(8,359)	(1,152,378)	(5,816,340)	(6,968,718)	(5,407,015)	7,302,651
Fair value adjustment on interest rate swap (notes 7 and 17)	(7,136,305)	-	-	-	-	(7,136,305)	-
Excess (deficiency) of revenue over expenses	\$ (5,566,243)	\$ (8,359)	\$ (1,152,378)	\$ (5,816,340)	\$ (6,968,718)	\$ (12,543,320)	\$ 7,302,651

See accompanying notes to financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Unrestricted	Invested in capital assets (note 8)	Restricted Funds			Endowment	Total 2020	Total 2019
			Internally restricted	Externally restricted	Total restricted			
Net assets, beginning 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
Excess (deficiency) of revenue over expenses	(5,566,243)	(8,359)	(1,152,378)	(5,816,340)	(6,968,718)	-	(12,543,320)	7,302,651
Net change in invested in capital assets (note 12)	853,561	(853,561)	-	-	-	-	-	-
Fund transfers during the year (note 12)	145,612	-	(29,096)	(116,516)	(145,612)	-	-	-
Net assets, end of year	\$ 14,217,383	\$ 15,567,124	\$ 12,623,827	\$ 9,216,301	\$ 21,840,128	\$ 872,684	\$ 52,497,319	\$ 65,040,639

See accompanying notes to financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (12,543,320)	\$ 7,302,651
Items not involving cash:		
Amortization of capital assets	8,359	37,591
Write-down of capital assets	-	323,622
Fair value adjustment on interest rate swap	7,136,305	-
Fair value adjustment on investments	4,926,978	451,741
Realized gain on sale of investments	(2,581,983)	(784,603)
Increase in cash surrender value of life insurance	(4,005)	(3,925)
Receipt of securities as donations	(2,577,596)	(657,059)
Accrued dividends and interest income included in investments	30,477	(101,890)
	(5,604,785)	6,568,128
Changes in non-cash operating working capital:		
Accounts receivable	(2,981,074)	(132,361)
Prepaid expenses	(18,781)	(82,176)
Accounts payable and accrued liabilities	(996,080)	474,636
Due to Fraser Health Authority	2,874,335	4,558
Construction holdback payable	1,455,744	1,122,292
Deferred revenue	39,915	18,218
	(5,230,726)	7,973,295
Financing:		
Proceeds from construction financing	22,016,870	14,983,130
Investing:		
Proceeds from sale of investments	44,392,048	13,603,623
Purchase of investments	(48,291,391)	(17,140,894)
Purchase of capital assets	(16,036,968)	(16,539,195)
	(19,936,311)	(20,076,466)
Increase (decrease) in cash and cash equivalents	(3,150,167)	2,879,959
Cash and cash equivalents, beginning of year	8,197,707	5,317,748
Cash and cash equivalents, end of year	\$ 5,047,540	\$ 8,197,707

See accompanying notes to financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

1. Operations:

Peace Arch Hospital and Community Health Foundation (the "Foundation") is registered under the Societies Act (British Columbia). 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:

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. The significant accounting policies are as follows:

(a) Fund accounting:

In order to ensure observance of the limitations and restrictions placed on the use of resources available, 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) Invested in capital assets fund:

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

(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.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

2. Significant accounting policies (continued):

(a) Fund accounting (continued):

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 changes in net assets.

(b) 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.

(c) 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 fair value or replacement cost.

(d) Financial instruments:

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

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

2. Significant accounting policies (continued):

(d) Financial instruments (continued):

If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Cash surrender value of life insurance policies:

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

(f) 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 initially in the unrestricted fund with amounts earned on endowment funds for specified purposes transferred to the respective restricted 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.

(g) Contributed materials and services:

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

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.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

2. Significant accounting policies (continued):

(h) 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.

(i) 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.

(j) 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 include valuation of accounts receivable, useful lives of capital assets for amortization 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 \$3,023,178 (2019 - \$1,428,695) relating to the construction holdback account. Included in this amount is interest earned of \$26,374 (2019 - \$6,881).

4. Investments:

The Foundation's investments consists of:

	2020	2019
Guaranteed investment certificates, held at amortized cost	\$ 26,062,129	\$ 22,867,829
Canadian equity funds, held at fair value	6,894,133	9,517,274
US equity funds, held at fair value	-	5,575,160
Global equity funds, held at fair value	14,446,750	5,341,282
	<u>47,403,012</u>	<u>43,301,545</u>
Less current portion of investments	14,173,072	15,429,670
	<u>\$ 33,229,940</u>	<u>\$ 27,871,875</u>

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

4. Investments (continued):

Guaranteed investment certificates earn interest at rates ranging from 1.52% to 2.90% (2019 - 2.50% to 2.90%) and have maturities ranging from April 2020 to February 2025 (2019 - May 2019 to February 2023). Certificates with maturity dates within the next fiscal year are classified as current investments.

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

	2020	2019
Investments	\$ 46,530,328	\$ 42,428,861
Investments, held for endowment	872,684	872,684
Total investments	47,403,012	43,301,545
Less restricted funds required:		
Internally restricted funds	12,623,827	13,805,301
Externally restricted funds	9,216,301	15,149,157
Endowment restricted funds	872,684	872,684
	22,712,812	29,827,142
Unrestricted investments	\$ 24,690,200	\$ 13,474,403

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

	2020	2019
Dividend income	\$ 570,021	\$ 522,556
Interest income	755,386	636,219
Capital gains	2,581,983	784,603
	\$ 3,907,390	\$ 1,943,378

5. Capital assets:

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 7,271,455	\$ -	\$ 7,271,455	\$ 7,271,455
Computer hardware and software	114,468	99,096	15,372	11,313
Construction in Progress - Residential Care/Hospice	40,153,956	-	40,153,956	24,129,406
	\$ 47,539,879	\$ 99,096	\$ 47,440,783	\$ 31,412,174

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

5. Capital assets (continued):

Construction in progress relates to costs that are directly attributable to the construction and development of the residential care/hospice residence by the Foundation that will be leased and operated, by the Fraser Health Authority ("FHA"), effective April 1, 2020 (note 10(d)). Costs incurred include construction, project management, engineering, and architectural costs and interest.

Amortization will begin when the facility is available for productive use on April 1, 2020.

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 (2019 - \$338,093) and will be recognized as revenue when received.

7. Construction financing:

	2020	2019
Bankers' Acceptances	\$ 37,000,000	\$ 13,385,000
Royal Bank Prime loan	-	1,598,130
	<u>\$ 37,000,000</u>	<u>\$ 14,983,130</u>

As of March 31 2020, The Foundation had financed construction of the residential care/hospice residence under a non-revolving term facility with the Royal Bank of Canada ("RBC"). The facility consists of Royal Bank Prime loans bearing interest at the Royal Bank prime rate plus 0% per annum, and Bankers' Acceptances bearing interest and acceptance fees (1.0% per annum) to a maximum of \$37,000,000. At March 31, 2020, the Foundation had drawn down \$37,000,000 of this facility, by way of Bankers' Acceptances with a term of 90-days, maturing on April 30, 2020.

All borrowings under this facility were subsequently converted to term financing under a take-out loan agreement with RBC as of April 30, 2020. Borrowings under the take-out loan agreement consist of rolling Bankers' Acceptances that renew every 90-days, with the latest one maturing July 31, 2020. As part of the loan structure, the Foundation entered into an interest rate swap contract for a notional principal amount of \$37,000,000 that runs in parallel with the term financing. The swap contract effectively fixes the facility's overall interest rate at 3.82% for the duration of the contract, which ends on January 31, 2045. The notional principal balance of the swap amortizes in parallel with the expected debt amortization of the take-out loan.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

7. Construction financing (continued):

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. \$1,109,290 (2019 - \$1,333,046) in letters of guarantee were outstanding as at March 31, 2020 (note 11). The security for the facility 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 security interest in all personal property located on, used in connection with or arising from the property, and a tripartite agreement with FHA whereby FHA consents to the assignment of the lease as security (note 10(d)).

Canadian accounting standards for not-for-profit organizations require interest rate swap arrangements that are not in a qualifying hedging relationship be accounted for at fair value. Fair value is determined by comparing the actual interest cost of the swap arrangement for the life of the arrangement to the notional interest cost, had the arrangement been entered into on March 31, 2020 at prevailing interest rates and applying a discount factor to the difference. As interest rates at March 31 2020 were lower than the interest rate implicit in the Foundation's existing swap arrangement, a \$7,136,305 unrealized loss was reflected in the Statement of Operations and corresponding notional liability recorded in the Statement of Financial Position.

8. Invested in capital assets:

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

	2020	2019
Capital assets	\$ 47,440,783	\$ 31,412,174
Amounts financed by:		
Construction financing (note 7)	(37,000,000)	(14,983,130)
Less:		
Amounts to be recovered from FHA (note 10(a))	2,226,596	-
Cash held in reserve	2,899,745	-
	\$ 15,567,124	\$ 16,429,044

At March 31, 2020, construction costs financed by the loan facility totaled \$34,100,255. The excess funds advanced under the construction loan facility of \$2,899,745 were held in cashable Guaranteed Investment Certificates at RBC and are being drawn down as late stage construction related invoices are paid by the Foundation.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

8. Invested in capital assets (continued):

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

	2020	2019
Amortization of capital assets	\$ (8,359)	\$ (37,591)
Write-down of capital assets	-	(323,622)
	\$ (8,359)	\$ (361,213)

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

	2020	2019
Purchase of capital assets	\$ 16,036,968	\$ 16,539,195
Proceeds from construction financing	(16,890,529)	(14,983,130)
	\$ (853,561)	\$ 1,556,065

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 205,000 active members and approximately 101,000 retired members. Active members include 15 contributors from the Foundation.

The most recent actuarial valuation as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits and a balance of \$2,485 million in the rate stabilization account. The next valuation will be December 31, 2021, with results available in 2022.

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 2020, the Foundation paid \$98,069 (2019 - \$93,934) for employer contributions to the Plan.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

10. Transactions with Fraser Health Authority:

- (a) Included in accounts receivable is a \$3 million receivable from FHA in relation to an operating grant of \$773,404 provided to the Foundation and the reimbursement of tenant improvements paid by the Foundation of \$2,226,596 related to the residential care and hospice facility Peace Arch Hospital Foundation Lodge (the "Lodge").
- (b) The amounts recognized as owing to FHA represent qualifying expenditures as incurred by the Peace Arch Hospital and funded by the Foundation. The amount is unsecured, non-interest bearing and due on demand.
- (c) 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.
- (d) The Foundation entered into an agreement with FHA to lease and operate the residential care and hospice facility Peace Arch Hospital Foundation Lodge (note 5) with an effective commencement date of April 1, 2020 and lease term of 15 years expiring on March 31, 2035. FHA is subject to paying base rent of \$2,988,384 per annum plus operating costs as defined under the agreement and determined on an annual basis.

11. Commitments and contingencies:

The Foundation is committed to assisting 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	\$ 2,923	\$ 7,203,975
Internally restricted	2,160,725	10,000,000
Outstanding pledges/fundraising	336,352	4,796,025
Outstanding commitment	2,500,000	22,000,000
Funded to date	12,500,000	-
Total commitment	\$ 15,000,000	\$ 22,000,000

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

11. Commitments and contingencies (continued):

Payments on the Emergency room commitments are expected to be completed by June 2020.

Operating room commitments will be paid in quarterly instalments over four years, commencing in September 2020.

The Foundation issues letters of guarantees through its financial institutions to provide guarantees to certain parties. Outstanding letters of guarantee amount to \$1,109,290 (2019 - \$1,333,046).

12. Fund transfers:

The Foundation made transfers from the externally restricted fund of \$116,516 and the internally restricted fund of \$29,096 to the unrestricted fund for purposes as approved by the Board and in accordance with any restrictions based on donor specifications. In addition, \$853,561 was transferred to the unrestricted fund from the invested in capital assets fund due to the timing of draws on bank financing received in the current year for certain Lodge construction costs incurred in the prior fiscal year that were funded by the unrestricted fund.

13. Related party transactions:

The Foundation incurred costs for legal and consulting fees totaling \$58,186 (2019 - \$220,221) 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.

14. Remuneration of employees:

For the year ending March 31, 2020, the Foundation paid total remuneration of \$627,094 (2019 - \$535,676) to six (2019 - five) 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 (2019 - \$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 \$570 (2019 - \$547) from the Fund has been recorded in the unrestricted fund balance of the Foundation. As at March 31, 2020, the Fund's market value was \$13,517 (2019 - \$14,856).

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

16. Financial risks:

(a) Credit risk:

Credit risk is the risk of loss resulting in the failure of a borrower or counterparty to honour its financial or contractual obligation to the Foundation. Credit risk arises primarily from the Foundation's term deposits and investments. The Foundation manages this risk by investing in high credit quality pooled funds as well as term deposits and guaranteed investment certificates held with large, reputable financial institutions.

The Foundation's exposure to and management of credit risk has not changed materially since the prior year.

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they fall due. The majority of the Foundation's assets are investments traded in active markets that can be readily liquidated and therefore the Foundation's liquidity risk is considered minimal. In addition, the Foundation aims to retain a sufficient cash position to manage liquidity.

The Foundation's exposure to and management of liquidity risk has not changed materially since the prior year.

(c) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates, interest rates; equity prices will affect the Foundation's income or the value of its holdings of financial instruments (note 17).

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the return. The Foundation manages its investment portfolio according to a Statement of Investment Policy approved by The Board.

(i) Currency risk:

Investments in foreign securities are exposed to currency risk due to fluctuations in foreign exchange rates. The Foundation is exposed to currency risk on its holdings in US and Global equity funds which has increased from the prior year as disclosed in note 4.

(ii) Interest rate risk:

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 and investment certificates (note 4).

For financial liabilities, the Foundation is exposed to interest rate risks related to its construction financing which is subject to floating rates of interest and has entered into an interest rate swap arrangement to manage the interest rate risk (note 7).

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

16. Financial risks (continued):

(c) Market risk (continued):

(iii) Equity price risk:

Equity price risk is the risk that the fair value of equity financial instruments will fluctuate due to changes in market prices. The Foundation is exposed to equity price risk on its investments in equity pooled funds.

The Foundation's exposure to and management of equity price risk has not changed materially since the prior year.

17. COVID-19 and impact on operations:

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Foundation's operations is not known at this time. As at March 31, 2020, the Foundation incurred a \$7,136,305 unrealized loss on the interest rate swap and a \$4,926,978 unrealized loss on the investments held at fair value in relation to the financial market impact of the COVID-19 pandemic which has been reflected in the statement operations.

18. Comparative information:

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