Financial Statements of

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

And Independent Auditors' Report thereon

Year ended March 31, 2021

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

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, 2021
- 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, 2021, 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 3, 2021

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Financial Position

March 31, 2021, with comparative information for 2020

		2021		2020
Assets				
Current assets:				
Cash and cash equivalents (note 3)	$	698,815	$	5,047,540
Investments (note 4)		20,674,544		14,173,072
Accounts receivable (note 10(a))		601,320		3,396,885
Prepaid expenses		128,903		178,994
		22,103,582		22,796,491
Tangible capital assets (note 5)		48,460,876		47,440,783
Investments (note 4)		35,351,086		32,357,256
Investments held for endowment (note 4)		872,684		872,684
Cash surrender value of life insurance policies (note 6)		103,710		99,710
	$	106,891,938	$	103,566,924
Liabilities and Net Assets				
Current liabilities:				
Bank debt (note 7)	$	36,084,000	$	37,000,000
Accounts payable and accrued liabilities		492,640		725,372
Due to Fraser Health Authority (note 10(b))		43,116		2,948,860
Construction holdback payable		-		2,996,804
Interest rate swap liability (note 7)		2,141,462		7,136,305
Deferred revenue		479,377		262,264
		39,240,595		51,069,605
Net assets:				
Unrestricted		35,237,931		14,217,383
Invested in capital assets (note 8(a))		14,656,494		15,567,124
Internally restricted (note 12)		10,769,036		12,623,827
Externally restricted		6,115,198		9,216,301
Endowment		872,684		872,684
		67,651,343		52,497,319
Commitments and contingencies (note 11)				
	$	106,891,938	$	103,566,924

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, 2021, with comparative information for 2020

	Unrestricted	Invested in capital assets	Restricted Funds Internally restricted	Restricted Funds Externally restricted	Total restricted	Total 2021	Total 2020
Revenue:							
Donations	$ 10,332,782	$ -	$ -	$ 4,142,725	$ 4,142,725	$ 14,475,507	$ 10,737,248
Special events	11,773	-	-	77,786	77,786	89,559	1,006,562
Rental income (note 10(d))	3,224,311	-	-	-	-	3,224,311	78,325
Ancillary parking (note 10(a))	433,170	-	-	-	-	433,170	462,894
Investment income (note 4)	1,160,529	-	-	-	-	1,160,529	3,907,390
Fair value adjustment on investments	5,883,008	-	-	-	-	5,883,008	(4,926,978)
Other income (note 17)	156,327	-	-	-	-	156,327	-
	21,201,900	-	-	4,220,511	4,220,511	25,422,411	11,265,441
Expenses:							
Fundraising	424,517	-	-	43,250	43,250	467,767	1,061,355
Ancillary	90,527	-	-	-	-	90,527	144,719
Interest expense	1,392,839	-	-	-	-	1,392,839	227,030
Salaries, wages and benefits	1,331,985	-	-	-	-	1,331,985	1,357,802
Office and administration	634,840	-	-	-	-	634,840	454,111
Amortization of tangible capital assets	-	910,630	-	-	-	910,630	8,359
	3,874,708	910,630	-	43,250	43,250	4,828,588	3,253,376
Excess (deficiency) of revenue over expenses before the following:	17,327,192	(910,630)	-	4,177,261	4,177,261	20,593,823	8,012,065
Community grants and projects	(206,239)	-	(372,052)	(568)	(372,620)	(578,859)	(384,988)
Contributions to Peace Arch Hospital	(819,579)	-	(2,163,679)	(6,872,525)	(9,036,204)	(9,855,783)	(13,034,092)
Excess (deficiency) of revenue over expenses, before the following:	16,301,374	(910,630)	(2,535,731)	(2,695,832)	(5,231,563)	10,159,181	(5,407,015)
Fair value adjustment on interest rate swap (note 7)	4,994,843	-	-	-	-	4,994,843	(7,136,305)
Excess (deficiency) of revenue over expenses	$ 21,296,217	$ (910,630)	$ (2,535,731)	$ (2,695,832)	$ (5,231,563)	$ 15,154,024	$ (12,543,320)

See accompanying notes to financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Changes in Net Assets

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

	Unrestricted	Invested in capital assets (note 8)	Restricted Funds Internally restricted	Externally restricted	Total restricted	Endowment	Total 2021	Total 2020
Net assets, beginning 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
Excess (deficiency) of revenue over expenses	21,296,217	(910,630)	(2,535,731)	(2,695,832)	(5,231,563)	-	15,154,024	(12,543,320)
Fund transfers during the year (note 12)	(275,669)	-	680,940	(405,271)	275,669	-	-	-
Net assets, end of year	$ 35,237,931	$ 14,656,494	$ 10,769,036	$ 6,115,198	$ 16,884,234	$ 872,684	$ 67,651,343	$ 52,497,319

See accompanying notes to financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ 15,154,024	$ (12,543,320)
Items not involving cash:		
Amortization of tangible capital assets	910,630	8,359
Fair value adjustment on interest rate swap	(4,994,843)	7,136,305
Fair value adjustment on investments	(5,883,008)	4,926,978
Realized loss (gain) on sale of investments	(239,992)	(2,581,983)
Increase in cash surrender value of life insurance	(4,000)	(4,005)
Receipt of securities as donations	(20,741)	(2,577,596)
Accrued dividends and interest income included in investments	78,123	30,477
	5,000,193	(5,604,785)
Changes in non-cash operating working capital:		
Accounts receivable	2,795,565	(2,981,074)
Prepaid expenses	50,091	(18,781)
Accounts payable and accrued liabilities	(232,732)	(996,080)
Due to Fraser Health Authority	(2,905,744)	2,874,335
Construction holdback payable	(2,996,804)	1,455,744
Deferred revenue	217,113	39,915
	1,927,682	(5,230,726)
Financing:		
Proceeds from bank debt	-	22,016,870
Repayment of bank debt	(916,000)	-
	(916,000)	22,016,870
Investing:		
Proceeds from sale of investments	14,442,032	44,392,048
Purchase of investments	(17,871,716)	(48,291,391)
Purchase of tangible capital assets	(1,930,723)	(16,036,968)
	(5,360,407)	(19,936,311)
Decrease in cash and cash equivalents	(4,348,725)	(3,150,167)
Cash and cash equivalents, beginning of year	5,047,540	8,197,707
Cash and cash equivalents, end of year	$ 698,815	$ 5,047,540

See accompanying notes to financial statements.

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 which includes supporting capital projects and programs of Peace Arch Hospital, part of the Fraser Health Authority ("FHA"). The Foundation is a registered charity under the Income Tax Act (the "Act") and accordingly is exempt from income taxes, provided certain requirements of the Act are met, and is authorized to issue donation receipts for income tax purposes.

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

2. Significant accounting policies:

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 tangible capital assets acquired by the Foundation less related debt and accumulated amortization.

2. Significant accounting policies (continued):

(a) 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.

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) Tangible capital assets:

Tangible capital assets are stated at cost, less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the asset, with the exception of land which is not amortized, as follows:

Asset	Years
Peace Arch Hospital Foundation Lodge (the “Lodge”):	
Building	50
Heat, ventilation, air conditioning (“HVAC”) system	25
Roof	25
Elevators	20
Computer hardware and software	3

Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. Where practical, capital assets are componentized when estimates can be made of the useful lives of the separate components.

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

2. Significant accounting policies (continued):

(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. 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.

2. Significant accounting policies (continued):

(f) Revenue recognition (continued):

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.

(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. Actual results may ultimately differ from these estimates.

3. Cash and cash equivalents:

Included in cash and cash equivalents is nil (2020 - $3,023,178) relating to the construction holdback account. Included in this amount is interest earned on the holdback amounts held of nil (2019 - $26,374).

4. Investments:

The Foundation's investments consist of:

	2021	2020
Guaranteed investment certificates, held at amortized cost	$ 29,113,349	$ 26,062,129
Canadian equity funds, held at fair value	9,208,620	6,894,133
Global equity funds, held at fair value	18,576,345	14,446,750
	56,898,314	47,403,012
Less current portion of investments	20,674,544	14,173,072
	$ 36,223,770	$ 33,229,940

Guaranteed investment certificates earn interest at rates ranging from 0.65% to 2.90% (2020 – 1.52% to 2.90%) and have maturities ranging from April 2021 to February 2025 (2020 - April 2020 to February 2025). 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:

	2021	2020
Investments	$ 56,025,630	$ 46,530,328
Investments, held for endowment	872,684	872,684
Total investments	56,898,314	47,403,012
Less restricted funds required:		
Internally restricted funds	10,769,036	12,623,827
Externally restricted funds	6,115,198	9,216,301
Endowment restricted funds	872,684	872,684
	17,756,918	22,712,812
Unrestricted investments	$ 39,141,396	$ 24,690,200

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

	2021	2020
Dividend income	$ 364,841	$ 570,021
Interest income	555,696	755,386
Realized capital gains	239,992	2,581,983
	$ 1,160,529	$ 3,907,390

5. Tangible capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	$ 7,271,455	$ -	$ 7,271,455	$ 7,271,455
Lodge:				
Building	39,439,787	788,795	38,650,992	-
HVAC system	1,170,154	46,806	1,123,348	-
Roof	834,900	33,396	801,504	-
Elevators	627,000	31,350	595,650	-
Computer hardware and software	127,305	109,378	17,927	15,372
Construction in Progress - Lodge	-	-	-	40,153,956
	$ 49,470,601	$1,009,725	$ 48,460,876	$ 47,440,783

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 $288,093 (2020 - $338,093) and will be recognized as revenue when received.

7. Bank debt:

The Foundation has financed construction of the Lodge under a term loan agreement with RBC. Borrowings under the take-out loan agreement consist of rolling Bankers' Acceptances bearing interest and acceptance fees (1.0% per annum) that renew every 90 days. The term loan facility is due and repayable on November 30, 2021, subject to renewal. 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, which is over a 25 year period since the commencement of the loan.

The security for the facility includes a collateral mortgage in the amount of $46,000,000, constituting a first charge on the Lodge lands, a 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 Fraser Health Authority ("FHA") whereby FHA consents to the assignment of the lease as security (note 10(d)).

The loan agreement contains a requirement for the Foundation to maintain certain covenants. As at March 31, 2021, the Foundation is in compliance with the covenant requirements.

7. Bank debt (continued):

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, 2021 at prevailing interest rates and applying a discount factor to the difference. As interest rates at March 31, 2021 were lower than the interest rate implicit in the Foundation's existing swap arrangement, a $2,141,462 (2020 - $7,136,305) notional liability was recorded in the Statement of Financial Position and a corresponding unrealized gain of $4,994,843 in the Statement of Operations reflecting the change in the fair value from the prior year.

8. Invested in capital assets:

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

	2021	2020
Tangible capital assets	$ 48,460,876	$ 47,440,783
Amounts financed by:		
Bank debt (note 7)	(36,084,000)	(37,000,000)
Less:		
Financing unspent	2,279,618	2,899,745
Financing spent recovered from FHA (note 10(a))	-	2,226,596
	$ 14,656,494	$ 15,567,124

(b) Excess (deficiency) of revenue over expenses in capital assets:

	2021	2020
Amortization of tangible capital assets	$ (910,630)	$ (8,359)

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

	2021	2020
Purchase of tangible capital assets	$ 1,930,723	$ 16,036,968
Proceeds from bank debt	-	(16,890,529)
Repayments of bank debt	916,000	-
Use of unspent financing to fund payments on tangible capital assets and bank debt in year	(2,846,723)	-
	$ -	$ (853,561)

9. Employee pension benefits:

The Foundation and its employees contribute to the Municipal Pension Plan (the “Plan”), a multi-employer, jointly trusteed 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 213,000 active members and approximately 106,000 retired members. Active members include 13 contributors from the Foundation.

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

The most recent actuarial valuation as at December 31, 2018 indicated a $2,866 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at 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 2021, the Foundation paid $94,174 (2020 - $98,069) for employer contributions to the Plan.

10. Transactions with Fraser Health Authority:

(a) Included in accounts receivable at March 31, 2021 was $450,000 receivable from FHA for parking revenue. At March 31, 2020, there was $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 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 Lodge (note 5), with an effective commencement date of April 1, 2020 and lease term of 15 years expiring on March 31, 2035. FHA pays base rent of $2,988,384 per annum plus operating costs as defined under the agreement and determined on an annual basis. Amounts are recorded in rental income in the Statement of Operations.

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	$ -	$ 3,543,391
Internally restricted	-	10,000,000
Unrestricted	-	1,500,000
Outstanding pledges/fundraising	-	2,206,609
Outstanding commitment at March 31, 2021	-	17,250,000
Funded to March 31, 2021	15,000,000	6,250,000
Total commitment	$ 15,000,000	$ 23,500,000

Payments on the Emergency room commitments were completed in June 2020.

Operating room commitments commenced in September 2020 and will be paid in quarterly instalments over four years.

The Foundation issues letters of guarantees through its financial institutions to provide guarantees to certain parties. Outstanding letters of guarantee amount to $107,682 (2020 - $1,109,290).

12. Internally restricted net assets and fund transfers:

Internally restricted net assets represent those funds restricted by the Board of Directors for specific purposes. The Foundation's internally restricted net assts are comprised of the following funds:

	2021	2020
Operating room redevelopment	$ 10,000,000	$ 10,000,000
Healthy community grants and other	669,036	463,102
Contingency reserve for the Lodge	100,000	-
Emergency room	-	2,160,725
	$ 10,769,036	$ 12,623,827

12. Internally restricted net assets and fund transfers (continued):

The Foundation made transfers from the externally restricted fund of $405,271 and the unrestricted fund of $275,669 to the internally restricted fund for purposes as approved by the Board and in accordance with any restrictions based on donor specifications. Included in the amount transferred from the unrestricted fund is $100,000 that has been internally restricted to a contingency reserve fund for the Lodge, in accordance with the term loan agreement (note 7).

13. Related party transactions:

The Foundation incurred costs for legal and consulting fees totaling $4,047 (2020 - $58,186) 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 disclosure under Societies Act (British Columbia):

For the year ending March 31, 2021, the Foundation paid total remuneration of $464,345 (2020 - $627,094) to four (2020 - six) 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 (2020 - $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 $586 (2020 - $570) from the Fund has been recorded in the unrestricted fund balance of the Foundation. As at March 31, 2021, the Fund’s market value was $16,071 (2020 - $13,517).

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.

16. Financial risks (continued):

(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.

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 Global equity funds which has not changed materially since the prior year.

(*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 fair value risks as a result of investments in investment certificates bearing fixed rates of interest (note 4).

For financial liabilities, the Foundation is exposed to cashflow risks related to its bank debt 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).

(*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. Other income - government assistance:

Due to the COVID-19 pandemic, the Canadian government introduced the Canada Emergency Wage Subsidy ("CEWS") to assist eligible organizations who had lost a certain percentage of their qualifying revenue. During the year ended March 31, 2021, CEWS claims made by the Foundation under this program totaled $156,327 and was recognized as other income under revenue in the Statement of Operations.