

Financial Statements of

VGH & UBC HOSPITAL FOUNDATION

Year ended March 31, 2018



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 Members of the VGH & UBC Hospital Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of VGH & UBC Hospital Foundation, which comprise the statement of financial position as at March 31, 2018 and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of VGH & UBC Hospital Foundation as at March 31, 2018 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other Legal and Regulatory Requirements

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

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

June 18, 2018

VGH & UBC HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,674,582	\$ 16,236,064
Portfolio investments (note 5)	171,374,922	166,017,627
Long-term investment - preferred shares (note 7)	1,500,000	-
Accounts receivable and prepaids (note 6)	1,928,092	1,541,024
Investments in prize homes (note 15)	3,341,189	1,560,167
	<u>188,818,785</u>	<u>185,354,882</u>
Capital assets (note 8)	761,091	652,405
Restricted cash and cash equivalents	8,215,889	8,497,506
Long-term investment - preferred shares (note 7)	18,321,000	-
Donated assets (note 2(h))	5,215,944	4,541,954
Endowment investments (note 9(a))	76,228,472	74,690,590
Vancouver Foundation investments (note 9(b))	541,788	509,767
	<u>\$ 298,102,969</u>	<u>\$ 274,247,104</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 2,943,706	\$ 3,308,686
Due to Vancouver Coastal Health Authority (note 10)	4,701,862	3,696,991
	<u>7,645,568</u>	<u>7,005,677</u>
Fund Balances:		
General Fund:		
Invested in capital assets (note 8)	761,091	652,405
Vancouver Foundation Endowment Fund (note 9(b))	541,788	509,767
Unrestricted	46,741,563	45,278,401
	<u>48,044,442</u>	<u>46,440,573</u>
Restricted Funds:		
Endowment (note 9(a))	76,228,472	74,690,590
Specific Purpose	166,184,487	146,110,264
	<u>242,412,959</u>	<u>220,800,854</u>
	<u>290,457,401</u>	<u>267,241,427</u>
	<u>\$ 298,102,969</u>	<u>\$ 274,247,104</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

VGH & UBC HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

	General Fund		Restricted Funds - Endowment		Restricted Funds - Specific Purpose		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue:								
Donations	\$ 3,286,172	\$ 3,326,820	\$ 835,816	\$ 741,879	\$ 49,601,438	\$ 53,793,263	\$ 53,723,426	\$ 57,861,962
Lotteries	-	-	-	-	22,294,111	21,929,019	22,294,111	21,929,019
Other fundraising	1,383,596	1,330,238	-	-	2,366,469	2,471,136	3,750,065	3,801,374
Portfolio investment income (note 13)	3,753,078	7,055,118	57,661	40,949	5,155,911	7,308,263	8,966,650	14,404,330
Other income (note 14)	6,228,113	6,392,199	-	-	(39,972)	9,176,919	6,188,141	15,569,118
	14,650,959	18,104,375	893,477	782,828	79,377,957	94,678,600	94,922,393	113,565,803
Expenses:								
Foundation operations	8,229,179	8,554,021	-	-	-	-	8,229,179	8,554,021
Community awareness and public engagement	922,302	926,028	-	-	-	-	922,302	926,028
	9,151,481	9,480,049	-	-	-	-	9,151,481	9,480,049
Lotteries	-	-	-	-	16,579,747	16,029,365	16,579,747	16,029,365
Other fundraising	1,168,679	1,150,001	-	-	134,523	136,953	1,303,202	1,286,954
Transfer to qualified donees (note 3)	-	-	-	-	63,378	423,623	63,378	423,623
Grants to Vancouver Coastal Health Authority:								
Equipment and capital projects	148,510	68,621	-	-	19,938,758	31,066,662	20,087,268	31,135,283
Education, research, patient care and other	391,310	228,836	-	-	22,379,051	24,518,026	22,770,361	24,746,862
	539,820	297,457	-	-	42,317,809	55,584,688	42,857,629	55,882,145
	10,859,980	10,927,507	-	-	59,095,457	72,174,629	69,955,437	83,102,136
Excess of revenue over expenses before change in fair value of investments	3,790,979	7,176,868	893,477	782,828	20,282,500	22,503,971	24,966,956	30,463,667
Change in fair value of investments (note 2(d))	(834,967)	1,086,096	(916,015)	2,596,586	-	-	(1,750,982)	3,682,682
Excess (deficiency) of revenue over expenses	2,956,012	8,262,964	(22,538)	3,379,414	20,282,500	22,503,971	23,215,974	34,146,349
Interfund transfers (note 4)	(1,352,143)	(493,933)	1,560,420	1,123,141	(208,277)	(629,208)	-	-
Net increase (decrease) in fund balances	1,603,869	7,769,031	1,537,882	4,502,555	20,074,223	21,874,763	23,215,974	34,146,349
Fund balances, beginning of year	46,440,573	38,671,542	74,690,590	70,188,035	146,110,264	124,235,501	267,241,427	233,095,078
Fund balances, end of year	\$ 48,044,442	\$ 46,440,573	\$ 76,228,472	\$ 74,690,590	\$ 166,184,487	\$ 146,110,264	\$ 290,457,401	\$ 267,241,427

See accompanying notes to financial statements

VGH & UBC HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 23,215,974	\$ 34,146,349
Items not involving cash:		
Change in fair value of investments	1,750,982	(3,682,682)
Amortization	264,402	244,976
Donated assets	(673,990)	(330,846)
Donation of preferred shares	(19,821,000)	-
Gain on disposal of investments	(1,126,522)	(7,483,704)
Gain on sale of prize home	-	(285,857)
Management fees on investments	481,349	464,267
Receipt of investments as donations	(8,966,460)	(28,403,358)
	(4,875,265)	(5,330,855)
Purchase of prize homes	(1,781,022)	(162,425)
Proceeds on sale of prize home	-	2,578,068
	(6,656,287)	(2,915,212)
Net change in non-cash operating items	232,309	1,140,297
	(6,423,978)	(1,774,915)
Investing:		
Reinvestment of investment income	(7,734,677)	(6,663,042)
Proceeds on sale of investments	8,986,974	28,403,358
Purchase of portfolio investments	(298,330)	(19,263,894)
Change in restricted cash and cash equivalents	281,617	(1,952,258)
Purchase of capital assets	(373,088)	(141,485)
	862,496	382,679
Decrease in cash and cash equivalents	(5,561,482)	(1,392,236)
Cash and cash equivalents, beginning of year	16,236,064	17,628,300
Cash and cash equivalents, end of year	\$ 10,674,582	\$ 16,236,064

See accompanying notes to financial statements.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2018

1. Organization:

The VGH & UBC Hospital Foundation (the "Foundation") was incorporated in 1980 under the Society Act (British Columbia) and transitioned to the new Societies Act (British Columbia) on August 30, 2017.

The Foundation's principal purpose is to raise funds for furthering the interests and objectives of Vancouver Acute (Vancouver General Hospital, UBC Hospital, GF Strong Rehab Centre, Vancouver Coastal Health Research Institute and related Health Care operations), (the "Hospital"), a component of Vancouver Coastal Health Authority ("VCHA"), in its mission of patient care, teaching and research.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CICA Handbook – Accounting and include the following significant accounting policies:

(a) Revenue recognition and fund accounting:

The Foundation follows the restricted fund method of accounting for contributions, thereby recognizing restrictions specified by donors on the use of resources, including contributions and restricted investment income. The fund classifications are:

(i) General Fund:

Donations not specifically designated by donors, unrestricted investment income, unrestricted investment income on specific purpose funds, unrestricted current fundraising event proceeds, administrative fees charged to restricted gifts and events, and amounts held by the Vancouver Foundation but available for withdrawal (note 2(a)(ii)), are allocated to the General Fund. Administrative costs pertaining to the Foundation are primarily funded through the General Fund, with the remainder financed through investment income of certain Specific Purpose Funds.

(ii) Restricted Funds:

Restricted Funds relate to research, patient care, education, equipment and facility initiatives. Specific Purpose Funds represent funds specifically designated by donors, current fundraising event proceeds, as well as restricted investment income earned on Endowment Funds.

Contributions of irrevocable charitable remainder trusts are recognized as revenue in Specific Purpose Funds - Other in the year of the contribution at their fair value as determined by an actuary. In subsequent years, they are recorded at amortized cost which approximates fair value.

Administration fees charged to restricted gifts and events are recorded in other income in the general fund at the time the related gifts are received or at the time the event has been completed.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(a) Revenue recognition and fund accounting (continued):

(ii) Restricted Funds (continued):

Endowment Funds represent funds that are permanently restricted either by the donor or internally by the Foundation; encroachment of capital can only occur in accordance with the endowment agreement or Board policy, as applicable.

Contributions for endowment are recognized as revenue in the endowment funds.

(b) Accrual basis:

The accrual basis of accounting is used for reporting revenue when the amount to be received can be reasonably estimated and collection is reasonably assured. Donations and grants are generally recorded on a cash basis.

(c) Deferred revenue:

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

(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 elected to carry all its investments at fair value with changes in fair values recognized in the statement of operations.

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 and financing costs incurred on acquisition, which are amortized using the straight-line method.

Financial assets recorded at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(e) Cash and cash equivalents:

Cash and cash equivalents and restricted cash and cash equivalents consist of cash and highly liquid investments with major financial institutions that are readily convertible to contracted amounts of cash and with maturities at the date of acquisition of less than three months. Restricted cash and cash equivalents are comprised of funds earned under lottery licenses issued by the BC Gaming Commission to be used for specific purposes.

(f) Parkade Trust:

The Foundation has a controlling interest in 578583 B.C. Ltd., the bare trustee of the VGH Parkade Trust (note 12). The Trust distributes the net revenue derived from the operation of the VGH's parking lot facility to the Foundation which is recorded by the Foundation as revenue in the general fund. The Foundation does not consolidate 578583 B.C. Ltd. or the Trust's financial statements. Accordingly, the assets, liabilities, revenue and expenses of these entities are not included in the Foundation's financial statements.

(g) Capital assets:

Capital assets, consisting of equipment and office renovations, are recorded at cost less accumulated amortization. When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided using the straight-line method over the estimated useful life, with amortization taken in the year the assets are put into use, as follows:

Asset	Years
Furniture and fixtures	5
Computer equipment	3

(h) Donated assets:

Donated assets consist of donated artwork and other non-depreciable property. Donated assets are recorded at the appraised value at the date of receipt and are not depreciated. Donated artwork is used for display throughout the hospital to enhance the environment for the benefit of patients, their families, staff and visitors.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(i) Contributed materials and services:

The Foundation records the fair value of contributed materials that qualify for receipted in-kind donations, where such fair value is determinable, and would otherwise have been purchased, as revenue along with a corresponding expense.

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

(j) Income taxes:

The Foundation is a charitable organization registered under the Income Tax Act and, as such, is exempt from income and capital taxes and is able to issue donation receipts for income tax purposes.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant areas of estimation include the valuation of the long-term investments held in preferred shares. Actual results could differ from these estimates.

(l) Affiliated entities:

The Society does not consolidate the financial statements of VGH & UBC Hospital Foundation Hong Kong Ltd. and Friends of VGH & UBC Hospital Foundation, two affiliated entities (notes 16 and 17).

3. Transfer to qualified donees:

In the current year, transfers to the following qualified donees, which included St. Paul's Hospital Foundation of Vancouver for \$33,333 and Canadian Mental Health Association of BC for \$30,045, were made in accordance with directions from the donors. During 2017, there were 3 transfers to qualified donees, which included BC Children's Hospital Foundation for \$300,000, St. Paul's Hospital Foundation of Vancouver for \$103,667 and Canadian Mental Health Association of BC for \$19,956.

4. Interfund transfers:

To meet the objectives of financial reporting and stewardship over the general, endowment and specific purpose funds, transfers between the funds are made when it is considered appropriate and approved by either the donor or the Board. These interfund transfers are recorded in the statement of operations and changes in fund balances.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Investments:

Investments are comprised of the following:

	2018	2017
Canadian money market funds	\$ 16,814,589	\$ 15,874,935
Canadian fixed income funds	126,910,336	137,695,863
Canadian equity funds	39,770,944	44,117,648
Canadian real estate funds	25,891,418	7,763,298
Global equity funds	37,816,107	34,856,473
Private shares	400,000	400,000
Endowment investments (note 9)	(76,228,472)	(74,690,590)
Portfolio investments	\$ 171,374,922	\$ 166,017,627

As at March 31, 2018, the Foundation has recorded in its portfolio investments, a Guaranteed Investment Certificate in the amount of \$5,500,000 (2017 - \$5,500,000), which is included in the Canadian money market funds, to comply with the requirements of the Ministry of Public Safety and Solicitor General, Gaming Policy and Enforcement Branch for the purchase of prizes for upcoming lotteries.

6. Accounts receivable and prepaids:

	2018	2017
Parkade Trust (note 12)	\$ 648,732	\$ 527,664
Prepaid expenses	252,211	401,634
Sales tax rebates	809,404	298,111
Other	217,745	313,615
Total	\$ 1,928,092	\$ 1,541,024

7. Investment in preferred shares:

	2018	2017
Donated preferred shares	\$ 19,821,000	\$ -
Current portion	(1,500,000)	-
Total	\$ 18,321,000	\$ -

On September 15th, 2017, the Foundation received a donation of preferred shares of a private entity. These shares will be redeemed over a nine year period, once per year, at predetermined amounts totaling \$22,500,000. The preferred shares were recorded at their appraised fair value at the time the donation was received approximating the discounted present value of the expected future redemption amounts to be received. As \$1,500,000 is scheduled to be redeemed in the next fiscal year, this amount has accordingly been classified as current investments.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Capital assets and net assets invested in capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Furniture and fixtures	\$ 1,210,610	\$ 502,076	\$ 708,534	\$ 561,151
Computer equipment	255,976	203,419	52,557	91,254
	\$ 1,466,586	\$ 705,495	\$ 761,091	\$ 652,405

Changes in net assets invested in capital assets are as follows:

	2018	2017
Opening balance	\$ 652,405	\$ 755,896
Effect of change in accounting estimate – note 2(g)	-	(14,450)
Amortization	(264,402)	(230,526)
Additions	373,088	141,485
Closing balance	\$ 761,091	\$ 652,405

9. Endowment funds:

(a) The Foundation holds several endowment funds for purposes as outlined below:

	2018	2017
Specific Purpose (note 2(a)(ii)):		
Education	\$ 3,921,094	\$ 3,903,478
Equipment	153,303	153,785
Patient care	295,040	294,727
Research	65,898,043	64,365,049
Other	5,960,992	5,973,551
	\$ 76,228,472	\$ 74,690,590

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Endowment funds (continued):

- (b) Under an agreement with the Vancouver Foundation, an Endowment Fund, managed by the Vancouver Foundation, was established in 1981. The original \$475,100 capital of the Vancouver Foundation Endowment Fund consists of \$260,000 contributed by the Foundation, \$210,000 contributed by the Vancouver Foundation and \$5,100 received from other contributors. Subsequent to the initial capital, \$29,445 has been received from other contributors.

The Vancouver Foundation Endowment Fund is invested in the Vancouver Foundation's pooled investment balanced fund. At March 31, 2018, the fund has a fair value of \$910,262 (2017 - \$912,042), of which \$541,788 (2017 - \$509,767) is available for withdrawal by the Foundation.

Any income distributed from the fund is recognized as investment income in the General Fund.

The rights of withdrawal from this Fund, in any particular year, are restricted to 20% of the units representing the portion of the Fund's balance accumulated through the Foundation's contributions, provided such contributions have been a part of the Fund for at least 10 years. The amount contributed by the Vancouver Foundation is not available to be withdrawn by the Foundation. Currently, all amounts in this endowment fund contributed by the Foundation have been held for the minimum ten-year period and are thus eligible for withdrawal at 20% per year. However, of the initial capital contribution made by the Foundation, \$10,000 is excluded from the amount subject to withdrawal as it is to be retained permanently by the Vancouver Foundation. No withdrawals have been made as of March 31, 2018 (2017 – nil).

10. Due to Vancouver Coastal Health Authority:

The amount due to VCHA relates to unpaid, non-reciprocal, irrevocable obligations for qualifying expenditures made by VCHA. The amount is without interest or specific terms of maturity.

11. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$110,491 (2017 - \$108,529), which includes amounts payable for payroll related taxes and contributions. At March 31, 2018, all federal payroll remittances payable are current.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

12. VGH Parkade Trust:

VGH Parkade Trust (the "Trust") was created by agreement between the Vancouver General Hospital (the "Hospital") and the Foundation. The Trust holds the beneficial interest in VGH's parking lot facility and owns 100% of the shares of VGH Gift Shop Ltd. (the "Gift Shop"). The bare trustee of the Trust is 578583 B.C. Ltd., a corporation in which the Foundation has a controlling interest. As at March 31, 2018, \$648,732 receivable from the Trust (2017 - \$527,664) is included in accounts receivable (note 6).

The Trust's financial position as at March 31, 2018 and results of operations for the year ended March 31, 2018 are as follows:

	2018	2017
Total assets	\$ 5,571,832	\$ 5,464,638
Total liabilities	4,923,100	4,936,974
Net assets	\$ 648,732	\$ 527,664
Statement of operations:		
Total revenue	\$ 3,491,770	\$ 3,494,408
Total expenses	1,425,397	1,392,529
Net earnings to distribute to the Foundation	\$ 2,066,373	\$ 2,101,879

13. Portfolio investment income:

Portfolio investment income is comprised of the following:

	2018	2017
Interest and dividends	\$ 7,840,128	\$ 6,920,626
Net realized gains on investments	1,126,522	7,483,704
	\$ 8,966,650	\$ 14,404,330

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

14. Other income:

	General Fund	Restricted Funds - Specific Purpose	2018	2017
Government grants	\$ -	\$ -	\$ -	\$ 8,000,000
Parkade Trust income	1,959,402	106,971	2,066,373	2,101,879
Fund management fees	1,693,199	(1,693,199)	-	-
Fundraising recoveries	2,055,352	-	2,055,352	1,786,348
Gain on sale of prize home	-	-	-	285,857
Other income	520,160	1,546,256	2,066,416	3,395,034
	<u>\$ 6,228,113</u>	<u>\$ (39,972)</u>	<u>\$ 6,188,141</u>	<u>\$ 15,569,118</u>

15. Investments in prize homes:

Investments in prize homes is recorded at the cost of acquisition. At each reporting date, the investments in prize homes is reviewed to assess whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment, if any.

16. Related party transactions:

(a) Vancouver Coastal Health Authority:

The Foundation receives administrative support from VCHA without charge. In addition, the Foundation's administrative offices are located in facilities owned by VCHA. No amounts are charged for premises rent. The value of these services and rentals is not included in these financial statements.

(b) Directors and Officers:

During the year, the directors and officers of the organization made donations totaling \$1,530,868 (2017 - \$3,207,832) to the Foundation.

(c) VGH & UBC Hospital Foundation Hong Kong Ltd:

VGH & UBC Hospital Foundation Hong Kong Ltd ("VUHFHK") was incorporated in Hong Kong on April 29, 2016. VUHFHK is related to the Foundation by virtue of the board of directors of VUHFHK is made up entirely of management of the Foundation and the Foundation provides administrative services to VUHFHK. No administrative costs are charged to VUHFHK by the Foundation. During the year, the Foundation provided financial assistance to VUHFHK of \$23,437 (2017 - \$44,431) relating to legal expenses, audit and tax fees, and courier charges. VUHFHK's financial position and results of operations are not included in the Foundation's financial statements. As at March 31, 2018, VGHHK had no significant assets or liabilities.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

17. Affiliated organization:

Friends of VGH & UBC Hospital Foundation:

The Foundation established a non-profit corporation, Friends of VGH & UBC Hospital Foundation ("Friends"), in Washington State, USA, in 1998. Friends is affiliated with the Foundation by virtue of two of the Friends' four member board of directors are management of the Foundation. Friends is recognized as a charitable organization under section 501(c)(3) of the U.S. Internal Revenue Service code and is able to provide written substantiation of gifts in order to allow donors to Friends to deduct their donations for U.S. federal income tax purposes. Donated funds raised by Friends, with unanimous ratification by its board of directors, are granted to the Foundation. Friends' financial position and results of operations are not included in the Foundation's financial statements. As at March 31, 2018, Friends had no significant assets or liabilities.

During the year, the Foundation received grants of \$1,038,424 (2017 - \$1,599,311) from Friends.

18. Disclosure of remuneration:

For the fiscal year ending March 31, 2018, the Foundation paid total remuneration of \$2,408,442 (2017 - \$2,383,964) to the top ten employees and contractors for services, each of whom received total remuneration of \$75,000 or greater. No remuneration was paid to any members of the Board of Directors/Trustees with the exception of the Secretary who is also employee of the Foundation. The Secretary's remuneration is included in the above employee remuneration disclosure and no other remuneration amounts are paid in addition.

19. Financial risks:

(a) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2017.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to credit risk with respect to accounts receivable. The Foundation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance of doubtful accounts.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

19. Financial risks (continued):

(c) Market and interest rate risk:

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. Market risks include equity price risk, currency risk and interest rate risk. The Foundation's exposure to equity price risk is primarily attributable to fluctuations in quoted market prices of listed investments.

The Foundation is exposed to interest rate risk on its fixed interest rate investments. Fixed-interest instruments subject the Foundation to a fair value risk. The Foundation is exposed to this risk as a result of investments in money market and bond funds.

The risks associated with investments are managed through the Foundation's established investment policy.

(d) Other risks:

The Foundation believes that it is not exposed to currency or cash flow risk arising from its financial instruments.