

Financial Statements of

**SURREY HOSPITALS FOUNDATION**

(Formerly, Surrey Hospital & Outpatient Centre Foundation)

And Independent Auditors' Report thereon

Year ended March 31, 2021



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Surrey Hospitals Foundation  
(formerly, Surrey Hospital & Outpatient Centre Foundation)

### Report on the Audit of Financial Statements

#### ***Qualified Opinion***

We have audited the accompanying financial statements of Surrey Hospitals Foundation (formerly, Surrey Hospital & Outpatient Centre 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, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the 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 cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### ***Basis for Qualified Opinion***

In common with many charitable organizations, the Entity derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Entity.



Therefore, we are not able to determine whether any adjustments might be necessary to:

- the current assets in the statement of financial position as at March 31, 2021 and March 31, 2020;
- the donation and fundraising revenues and excess (deficiency) of revenues over expenses reported in the statement of operations and changes in net assets for the years ended March 31, 2021 and March 31, 2020;
- the net assets balances, at the beginning and end of the year, reported in the statement of changes in net assets for the years ended March 31, 2021 and March 31, 2020; and
- the excess (deficiency) of revenue over expenses reported in the statement of cash flows for the years ended March 31, 2021 and March 31, 2020.

Our opinion on the financial statements for the year ended March 31, 2020 was qualified accordingly because of the possible effects of this limitation in scope.

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 qualified audit opinion.

### ***Responsibilities of Management and Those Charged with Governance 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.

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 disclosure 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 the 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 the 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 matter 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 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 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  
July 14, 2021

# SURREY HOSPITALS FOUNDATION

(Formerly, Surrey Hospital & Outpatient Centre Foundation)

## Statement of Financial Position

March 31, 2021, with comparative information for 2020


	2021	2020
<b>Assets</b>		
Current assets:		
Cash	\$ 3,733,848	\$ 2,818,735
Restricted cash (note 2(c))	3,543,998	2,929,968
Accounts receivable	177,368	184,141
	<u>7,455,214</u>	<u>5,932,844</u>
Investments (note 3)	21,537,579	17,525,853
Capital asset (note 4)	2,100,000	2,100,000
	<u>\$ 31,092,793</u>	<u>\$ 25,558,697</u>

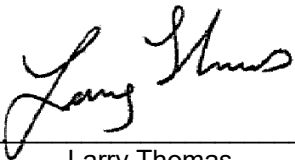
## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$ 2,506,420	\$ 2,516,060
Net assets:		
Unrestricted	3,577,210	1,488,920
Internally restricted (note 5)	1,635,656	1,349,682
Externally restricted (note 6)	23,373,507	20,204,035
	<u>28,586,373</u>	<u>23,042,637</u>
Commitments (note 13)		
	<u>\$ 31,092,793</u>	<u>\$ 25,558,697</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

  
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Ron Knight Director

  
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Larry Thomas Director

# SURREY HOSPITALS FOUNDATION

(Formerly, Surrey Hospital & Outpatient Centre Foundation)

Statement of Operations and Changes in Net Assets

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

	Unrestricted Fund	Internally Restricted Fund	Externally Restricted Fund	2021 Total	2020 Total
<b>Revenue:</b>					
Donations and fundraising (note 2(g))	\$ 2,015,152	\$ -	\$ 5,992,828	\$ 8,007,980	\$ 6,890,961
Income from investments carried at fair market value (note 7)	368,593	-	122,212	490,805	140,004
Income from investments carried at amortized cost (note 7)	177,275	-	33,754	211,029	334,516
	2,561,020	-	6,148,794	8,709,814	7,365,481
<b>Expenses:</b>					
Fundraising	418,766	-	-	418,766	774,892
Salaries, wages and benefits (note 2(g))	1,025,114	-	-	1,025,114	880,695
Office, support and professional fees (note 2(g))	216,076	827	139,054	355,957	331,158
	1,659,956	827	139,054	1,799,837	1,986,745
Excess (deficiency) of revenue over expenses before the undernoted	901,064	(827)	6,009,740	6,909,977	5,378,736
Fair value adjustment on investments (note 7)	1,704,672	-	647,239	2,351,911	(880,233)
Contributions to health and other organizations (note 8)	(230,645)	-	(3,487,507)	(3,718,152)	(5,028,269)
Excess (deficiency) of revenue over expenses	2,375,091	(827)	3,169,472	5,543,736	(529,766)
Net assets, beginning of year	1,488,920	1,349,682	20,204,035	23,042,637	23,572,403
Transfer to internally restricted fund (note 5)	(286,801)	286,801	-	-	-
Net assets, end of year	\$ 3,577,210	\$ 1,635,656	\$ 23,373,507	\$ 28,586,373	\$ 23,042,637

See accompanying notes to financial statements.

# SURREY HOSPITALS FOUNDATION

(Formerly, Surrey Hospital & Outpatient Centre 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	\$ 5,543,736	\$ (529,766)
Items not involving cash:		
Unrealized (gain) loss on investments (note 7)	(2,351,911)	880,233
Realized (gain) loss on sale of investments (note 7)	(109,216)	96,134
	<u>3,082,609</u>	<u>446,601</u>
Changes in non-cash operating working capital:		
Accounts receivable	6,773	61,478
Accounts payable and accrued liabilities	(9,640)	2,038,297
	<u>3,079,742</u>	<u>2,546,376</u>
Investment:		
Net purchase of investments	(1,550,599)	(4,305,592)
Change in restricted cash	(614,030)	(741,554)
	<u>(2,164,629)</u>	<u>(5,047,146)</u>
Increase (decrease) in cash	915,113	(2,500,770)
Cash, beginning of year	2,818,735	5,319,505
Cash, end of year	<u>\$ 3,733,848</u>	<u>\$ 2,818,735</u>

See accompanying notes to financial statements.



# **SURREY HOSPITALS FOUNDATION**

(Formerly, Surrey Hospital & Outpatient Centre Foundation)

Notes to Financial Statements

Year ended March 31, 2021

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## **1. Operations:**

Surrey Hospitals Foundation (the "Foundation") (formerly, Surrey Hospital & Outpatient Centre Foundation) was incorporated in 1992 and is registered under the Societies Act (British Columbia). Its principal purpose is to raise funds to assist the Surrey Memorial Hospital site, Jim Pattison Outpatient Care & Surgery Centre (together the "Hospital") and related healthcare organizations and facilities in the Fraser Health Authority (the "Authority") in the delivery of health care services. The Foundation is a registered charity under the Income Tax Act (the "Act") and as such, 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 November 3, 2020, Surrey Hospital & Outpatient Centre Foundation changed its name to Surrey Hospitals Foundation.

With respect to the impact of the COVID-19 pandemic on operations, the Foundation has not experienced a reduction in its major funding sources and the decline in value of investments as at March 31, 2020 has been fully recovered. However, the ongoing pandemic creates uncertainty over future funding and the value of the investments. The Foundation continues to closely monitor the impact on its financial statements and continuing operations.

## **2. Significant accounting policies:**

### **(a) Basis of presentation:**

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

### **(b) Fund accounting:**

In order to ensure observance of the limitations and restrictions placed on the use of resources available, the Foundation follows the restricted fund method of accounting for contributions. Under this method, restricted contributions are recorded as revenue of the restricted fund to which they relate. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors. For financial reporting purposes, the accounts have been classified into the following funds:

# SURREY HOSPITALS FOUNDATION

(Formerly, Surrey Hospital & Outpatient Centre Foundation)

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 2. Significant accounting policies (continued):

### (b) Fund accounting (continued):

#### (i) Unrestricted:

The unrestricted fund includes unrestricted donations, unrestricted investment income and administration fees charged on designated gifts and events (note 2(g)).

#### (ii) Internally restricted:

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

#### (iii) Externally restricted:

The externally restricted fund includes donations and other funding received by the Foundation which have been designated for specific purposes by the donor or the gaming authority. The investment income accrued on these designated funds, excluding endowment funds, is not restricted and hence is recorded under the unrestricted fund.

### (c) Restricted cash:

Restricted cash relates primarily to the Foundation's 50/50 draw lottery program which the Authority's employees can participate in. The 50% portion of each draw's proceeds which the Foundation is entitled to are kept restricted to be spent on qualified expenses in accordance with the gaming license.

### (d) Capital asset:

Capital asset is initially recorded at historical cost or, in the case of contributed assets, at the fair value at the time of receipt.

### (e) Revenue recognition:

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

Contributions are recognized as revenue in the appropriate fund in the year received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

Investment income is recognized when earned and recognized as unrestricted revenue unless restricted by the donor. Any investment income restricted for specified use is recognized within the respective restricted fund.

# SURREY HOSPITALS FOUNDATION

(Formerly, Surrey Hospital & Outpatient Centre Foundation)

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 2. Significant accounting policies (continued):

### (f) Contributed materials and services:

Contributed materials are recorded at their fair market values where the amounts are reasonably determinable and they would otherwise be purchased.

Volunteers contribute an indeterminate number of hours to assist the Foundation in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

### (g) Allocations of revenue and expenses:

The Foundation incurs costs to secure and manage gifts, provide recognition and manage the investment of the restricted funds. The Foundation allocates up to a maximum of 20% of any designated gifts, excluding endowment gifts, as an administration fee and records it as unrestricted donations upon receipt of the designated gifts. During the year, \$693,605 (2020 - \$717,019) was allocated to unrestricted revenue.

The Foundation allocates a portion of office, support and professional fees to the externally restricted gaming funds based on the estimated costs to administer the 50/50 lottery events. During the year, \$121,506 (2020 - \$91,146) was allocated to externally restricted expenses.

In addition, a portion of salaries and benefits is allocated as in-kind contribution to the Authority as included in the contributions to health and other organizations expenses (note 8).

### (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) 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.

# SURREY HOSPITALS FOUNDATION

(Formerly, Surrey Hospital & Outpatient Centre Foundation)

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 2. Significant accounting policies (continued):

### (j) 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 its investments managed by an investment manager, which include bonds and equity instruments that are quoted in an active market, at fair market value and all other financial instruments that are invested directly by the Foundation with third parties, such as guaranteed investment certificates ("GIC's"), at cost or amortized cost.

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

Financial assets carried at 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.

## 3. Investments:

The investments are comprised of the following:

	2021	2020
Investments measured at fair market value:		
Bonds and preferred shares	\$ 4,979,437	\$ 2,818,754
Equities	7,329,366	4,816,105
	12,308,803	7,634,859
Investments measured at amortized cost:		
GIC's and bank certificates	9,228,776	9,890,994
Total investments	\$ 21,537,579	\$ 17,525,853

# SURREY HOSPITALS FOUNDATION

(Formerly, Surrey Hospital & Outpatient Centre Foundation)

Notes to Financial Statements (continued)

Year ended March 31, 2021

### 3. Investments (continued):

Bonds consist of federal, provincial and corporate bonds maturing between December 2021 and June 2024 with yields ranging from 2.55% to 4.54% (2020 - 1.25% to 4.54%). The GIC's have maturity dates between May 2021 and March 2022 with yields ranging from 0.8% to 2.3% (2020 - 1.55% to 2.90%). The amounts recognized above are inclusive of accrued interest. The equities consist of investments in Canadian, US and international entities across various industries.

### 4. Capital asset:

	2021	2020
	Cost and Net book value	Cost and Net book value
Czorny Alzheimer Centre - Land	\$ 2,100,000	\$ 2,100,000

In the 2018 fiscal year, the Foundation received a donation of property - the Czorny Alzheimer Centre (the "Centre") from a private donor as part of a gift contribution agreement to operate the Centre for the purposes of Alzheimer related care. Under the agreement, the Foundation was transferred ownership of the land and building of the Centre at a fair market value of \$27,500,000 consisting of \$2,100,000 in land and \$25,400,000 in building as determined by an independent appraisal.

In accordance with the gift agreement specifications, on December 20, 2017, the Foundation entered into a long-term lease agreement with the Authority to operate the Centre. Under the lease agreement, the Authority is to operate the Centre for a term of 30-years, with two additional 5-year extension options at a nominal charge of \$1. As the building lease qualifies as a capital lease based on the terms of the lease, the value of the building of \$25,400,000 was recorded as a contribution to the Authority in the statement of operations at the time the lease took effect. The land portion of the property of \$2,100,000 is recorded as capital asset of the Foundation.

### 5. Internally restricted net assets:

The Foundation has an approved policy to review unrestricted estate gifts received by the Foundation on an annual basis and determine a percentage allocation between the unrestricted fund and internally restricted fund. An amount of \$286,801 was transferred in the current 2021 fiscal year (2020 - nil).

# SURREY HOSPITALS FOUNDATION

(Formerly, Surrey Hospital & Outpatient Centre Foundation)

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 6. Externally restricted net assets:

	2021	2020
Arthur and Irene Bourassa Endowment Fund (i)	\$ 2,499,364	\$ 1,865,967
The Leonard & Joan Leece Endowment Fund (ii)	630,236	453,991
Designated funds	20,243,907	17,884,077
	<u>\$ 23,373,507</u>	<u>\$ 20,204,035</u>

(i) The Arthur and Irene Bourassa Endowment Fund is externally restricted, including revenues earned on related investments. Earned investment revenue of the funds shall be used for the purposes of the Fund or added to principal of the Fund. The investment income on this Fund in 2021 was \$647,963 (2020 - loss of \$134,939), which includes a fair value gain of \$533,601 (2020 - loss of \$191,916). The principal is to be used for capital equipment acquisitions and cannot be utilized until the year 2032.

(ii) The Leonard & Joan Leece Endowment Fund is externally restricted, including revenues earned on related investments. Earned investment revenue of the funds shall be used for the purposes of the Fund or added to principal of the Fund. The investment gain on this Fund in 2021 was \$121,488 (2020 - loss of \$56,494), which includes a fair value gain of \$113,638 (2020 - loss of \$50,563). The purpose of the Fund is to support the Foundation's strategic vision with regard to medical care, research and education. The principal is to be held until the year 2029.

## 7. Investment income:

Investment income is comprised of the following:

	2021	2020
Interest income	\$ 318,958	\$ 378,738
Dividends and other distributions	273,660	191,916
Realized gains (losses)	109,216	(96,134)
Unrealized gains (losses)	2,351,911	(880,233)
	<u>\$ 3,053,745</u>	<u>\$ (405,713)</u>

# SURREY HOSPITALS FOUNDATION

(Formerly, Surrey Hospital & Outpatient Centre Foundation)

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 8. Contributions to health and other organizations:

Included in contributions to health organizations is \$3,688,152 (2020 - \$4,998,269) of contributions to the Authority and \$30,000 (2020 - \$30,000) of contributions to other organizations. Contributions to the Authority include an allocation of operating costs of \$230,645 (2020 - \$221,525) incurred by the Foundation, on behalf of the Authority. These operating costs relate to the educational and public relations activities carried out by the Foundation that provide a service to the Authority in raising the profile of Surrey Memorial Hospital and the Jim Pattison Outpatient Care & Surgery Centre and the health care programs they provide.

The Foundation leases the Czorny Alzheimer Centre to the Authority under a long-term lease agreement at a nominal charge of \$1 (note 4).

## 9. Fraser Health Authority:

As at March 31, 2021, the Foundation owed the Authority \$2,350,577 (2020 - \$2,373,327) related to the reimbursement of contributions to health organizations and operating expenses paid by the Authority on behalf of the Foundation. The amount owing is included in accounts payable and accrued liabilities.

The Authority provides office space for the Foundation's use on a no-charge basis. The Foundation also receives certain administrative services from the Authority including payroll and benefit administration, housekeeping and information technology support.

Because of the difficulty in determining their fair value, these contributed services and free rent are not recognized in these financial statements.

## 10. Employee future benefits:

The Foundation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing Plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. The Plan has about 213,000 active members and approximately 106,000 retired members. Active members include 10 contributors (2020 - 9) from the Foundation.

Every 3-years, an actuarial valuation is performed to assess the financial position of the Plan and adequacy of plan funding. The most recent actuarial valuation for the Municipal Pension Plan 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.

# SURREY HOSPITALS FOUNDATION

(Formerly, Surrey Hospital & Outpatient Centre Foundation)

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 10. Employee future benefits (continued):

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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

During fiscal 2021, the Foundation paid \$101,318 (2020 - \$86,914) for employer contributions to the Plan.

## 11. Disclosure of employee and contractor remuneration:

For the fiscal year ended March 31, 2021, the Foundation paid total remuneration, including benefits, of \$1,124,270 (2020 - \$1,100,989) to 7 employees and contractors for services (2020 - 8), each of whom received total annual remuneration of \$75,000 or greater.

In accordance with the bylaws of the Foundation, no remuneration was paid to any member of the Board of Directors of the Foundation during the year.

## 12. Financial risks:

### (a) Interest rate and market risks:

The Foundation's interest rate and market risks arise from its investment in fixed-rate GIC's and bonds, which fluctuate in their fair value based on changes in market interest rates, and Canadian, US and International equities, which are sensitive to volatility in the equity markets.

### (b) Credit risk:

Credit risk arises when a failure of a counterparty to discharge their obligations could reduce the future cash inflows from financial assets. The Foundation's credit risk arises primarily from its investments in bonds, GIC's, and cash balance.

### (c) Risk management:

The Foundation manages its interest rate and market risks by maintaining a diversified portfolio of investments with different issuers and matching cash needs with investment maturities. Further, the Foundation has developed an investment policy which requires regular performance review and provides guidelines on investment management.

The Foundation manages its credit risk on bond investments by restricting investments to issuers with minimum investment grades as assigned by national investment grade rating agencies and ensuring a diversified portfolio mix. The Foundation manages its credit risk on cash and GIC's by holding these financial assets at various high credit quality Canadian financial institutions.

There has been no change to the risk exposures outlined above from prior years.



# SURREY HOSPITALS FOUNDATION

(Formerly, Surrey Hospital & Outpatient Centre Foundation)

Notes to Financial Statements (continued)

Year ended March 31, 2021

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### 13. Commitments:

During fiscal 2020, the Foundation entered into an agreement with TELUS Health Solutions Inc. ("Telus") and the Authority, in which Telus agreed to provide annual donations to the Foundation to fund the Authority's implementation, operation and management of a mobile health clinic over a 4-year term. Under the agreement, the following amounts are to be received from Telus and paid to the Authority by the Foundation over the remaining term of the agreement:

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2022	\$ 350,000
2023	250,000
	<hr/>
	\$ 600,000

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