

Financial Statements of

**PEACE ARCH HOSPITAL AND
COMMUNITY HEALTH FOUNDATION**

And Independent Auditor's Report thereon

Year ended March 31, 2024



KPMG LLP

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INDEPENDENT AUDITOR'S 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, 2024
- 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, 2024, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's report. However, future events or conditions may cause Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

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

Chartered Professional Accountants

Vancouver, Canada
May 31, 2024

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Financial Position

March 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|--|-----------------------|-----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,795,390 | \$ 834,660 |
| Investments (note 3) | 26,215,758 | 21,039,394 |
| Accounts receivable (note 9(a)) | 167,368 | 498,946 |
| Prepaid expenses | 540,204 | 336,464 |
| | <u>28,718,720</u> | <u>22,709,464</u> |
| Tangible capital assets (note 4) | 45,826,526 | 46,733,972 |
| Investments (note 3) | 35,217,520 | 43,251,473 |
| Investments held for endowment (note 3) | 872,684 | 872,684 |
| Cash surrender value of life insurance policies (note 5) | 117,824 | 112,824 |
| Interest rate swap asset (note 6) | 1,763,177 | 2,238,633 |
| | <u>\$ 112,516,451</u> | <u>\$ 115,919,050</u> |

Liabilities and Net Assets

| | | |
|--|-----------------------|-----------------------|
| Current liabilities: | | |
| Bank debt (note 6) | \$ 23,125,000 | \$ 34,148,000 |
| Accounts payable and accrued liabilities | 515,281 | 342,470 |
| Due to Fraser Health Authority (note 9(b)) | 1,024,165 | 134,833 |
| Deferred revenue | 553,441 | 512,997 |
| | <u>25,217,887</u> | <u>35,138,300</u> |
| Net assets: | | |
| Unrestricted | 46,819,239 | 54,538,558 |
| Invested in capital assets (note 7(a)) | 22,701,526 | 12,825,734 |
| Internally restricted (note 11) | 2,178,779 | 4,300,410 |
| Externally restricted | 14,726,336 | 8,243,364 |
| Endowment | 872,684 | 872,684 |
| | <u>87,298,564</u> | <u>80,780,750</u> |
| Commitments and contingencies (note 10) | | |
| Subsequent event (note 15) | | |
| | <u>\$ 112,516,451</u> | <u>\$ 115,919,050</u> |

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

| | Unrestricted | Invested in capital assets | Restricted Funds | | Total restricted | Total 2024 | Total 2023 |
|--|----------------------|-------------------------------|--------------------------|--------------------------|-----------------------|---------------------|---------------------|
| | | | Internally restricted | Externally restricted | | | |
| Revenue: | | | | | | | |
| Donations | \$ 4,770,358 | \$ - | \$ - | \$ 4,388,880 | \$ 4,388,880 | \$ 9,159,238 | \$ 11,774,329 |
| Special events | 71,523 | - | - | 1,352,441 | 1,352,441 | 1,423,964 | 1,540,898 |
| Rental income (note 9(d)) | 3,196,205 | - | - | 19,873 | 19,873 | 3,216,078 | 3,201,670 |
| Ancillary parking (note 9(a)) | 344,946 | - | - | - | - | 344,946 | 284,475 |
| Investment income (note 3) | 4,162,206 | - | - | - | - | 4,162,206 | 1,263,146 |
| Fair value adjustment on investments | 1,819,455 | - | - | - | - | 1,819,455 | 1,181,568 |
| | 14,364,693 | - | - | 5,761,194 | 5,761,194 | 20,125,887 | 19,246,086 |
| Expenses: | | | | | | | |
| Fundraising | 657,725 | - | - | 740,921 | 740,921 | 1,398,646 | 1,187,129 |
| Ancillary | 104,822 | - | - | - | - | 104,822 | 106,317 |
| Interest expense | 1,021,540 | - | - | - | - | 1,021,540 | 1,305,490 |
| Salaries, wages and benefits | 1,837,607 | - | - | - | - | 1,837,607 | 1,662,866 |
| Office and administration | 731,355 | - | - | - | - | 731,355 | 661,101 |
| Amortization of tangible capital assets | - | 916,643 | - | - | - | 916,643 | 916,665 |
| | 4,353,049 | 916,643 | - | 740,921 | 740,921 | 6,010,613 | 5,839,568 |
| Excess (deficiency) of revenue over expenses before the following: | 10,011,644 | (916,643) | - | 5,020,273 | 5,020,273 | 14,115,274 | 13,406,518 |
| Community grants and projects | (251) | - | (839,092) | (22,884) | (861,976) | (862,227) | (444,258) |
| Contributions to Peace Arch Hospital | (427,909) | - | (3,475,479) | (3,359,428) | (6,834,907) | (7,262,816) | (6,944,250) |
| Excess (deficiency) of revenue over expenses, before the following: | 9,583,484 | (916,643) | (4,314,571) | 1,637,961 | (2,676,610) | 5,990,231 | 6,018,010 |
| Fair value adjustment on interest rate swap (note 6) | (475,456) | - | - | - | - | (475,456) | 1,913,543 |
| Gain on interest rate swap (note 6) | 1,003,039 | - | - | - | - | 1,003,039 | - |
| Excess (deficiency) of revenue over expenses | \$ 10,111,067 | \$ (916,643) | \$ (4,314,571) | \$ 1,637,961 | \$ (2,676,610) | \$ 6,517,814 | \$ 7,931,553 |

See accompanying notes to financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2024, with comparative information for 2023

| | Unrestricted | Invested in capital assets (note 7) | Restricted Funds | | | Endowment | Total 2024 | Total 2023 |
|---|---------------|---|--------------------------|--------------------------|---------------------|------------|---------------|---------------|
| | | | Internally restricted | Externally restricted | Total restricted | | | |
| Net assets, beginning of year | \$ 54,538,558 | \$ 12,825,734 | \$ 4,300,410 | \$ 8,243,364 | \$ 12,543,774 | \$ 872,684 | \$ 80,780,750 | \$ 72,849,197 |
| Excess (deficiency) of revenue over expenses | 10,111,067 | (916,643) | (4,314,571) | 1,637,961 | (2,676,610) | - | 6,517,814 | 7,931,553 |
| Fund transfers during the year (notes 7(c) and 11) | (17,830,386) | 10,792,435 | 2,192,940 | 4,845,011 | 7,037,951 | - | - | - |
| Net assets, end of year | \$ 46,819,239 | \$ 22,701,526 | \$ 2,178,779 | \$ 14,726,336 | \$ 16,905,115 | \$ 872,684 | \$ 87,298,564 | \$ 80,780,750 |

See accompanying notes to financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|--|--------------|--------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess of revenue over expenses | \$ 6,517,814 | \$ 7,931,553 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 916,643 | 916,665 |
| Fair value adjustment on interest rate swap | 475,456 | (1,913,543) |
| Fair value adjustment on investments | (1,819,455) | (1,181,568) |
| Realized gain on sale of investments | (2,417,239) | (117,925) |
| Increase in cash surrender value of life insurance | (5,000) | (4,874) |
| Receipt of securities as donations | (1,727,471) | (1,195,092) |
| Accrued dividends and interest income included in investments | (34,419) | (264,630) |
| | 1,906,329 | 4,170,586 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 331,578 | (288,736) |
| Prepaid expenses | (203,740) | (40,711) |
| Accounts payable and accrued liabilities | 172,811 | (243,931) |
| Due to Fraser Health Authority | 889,332 | (46,927) |
| Deferred revenue | 40,444 | (165,547) |
| | 3,136,754 | 3,384,734 |
| Financing: | | |
| Repayment of bank debt | (11,023,000) | (986,000) |
| Investing: | | |
| Proceeds from sale of investments | 25,871,270 | 13,992,674 |
| Purchase of investments | (17,015,098) | (16,777,085) |
| Purchase of tangible capital assets | (9,196) | (20,699) |
| | 8,846,976 | (2,805,110) |
| Increase (decrease) in cash and cash equivalents | 960,730 | (406,376) |
| Cash and cash equivalents, beginning of year | 834,660 | 1,241,036 |
| Cash and cash equivalents, end of year | \$ 1,795,390 | \$ 834,660 |

See accompanying notes to financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2024

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.

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.

(v) Endowment fund:

The endowment fund comprises donations that are permanently maintained in accordance with donor wishes. The annual investment income earned from these endowments is used for specific purposes, in a manner consistent with the endowment agreement.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2024

2. Significant accounting policies (continued):

(a) Fund accounting (continued):

Transfers between the funds are made when it is considered appropriate and authorized by the Board. To meet the objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the statement of changes in net assets.

(b) Cash and cash equivalents:

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

(c) 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 |
|---|-------|
| Ellen Sinclair Kennett Lodge (the "Lodge"): | |
| Building | 50 |
| Heat, ventilation, air conditioning ("HVAC") system | 25 |
| Roof | 25 |
| Elevators | 20 |
| Computer hardware and software | 3 |
| Office, furniture and equipment | 5 |

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.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2024

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.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2024

2. Significant accounting policies (continued):

(f) Revenue recognition (continued):

Rental income is recorded in the period earned.

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 year's 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, fundraising 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.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2024

3. Investments:

The Foundation's investments consist of:

| | 2024 | 2023 |
|--|---------------|---------------|
| Guaranteed investment certificates, held at amortized cost | \$ 34,879,651 | \$ 32,338,668 |
| Canadian equity funds, held at fair value | 9,472,892 | 11,167,506 |
| Global equity funds, held at fair value | 17,953,419 | 21,657,377 |
| | 62,305,962 | 65,163,551 |
| Less current portion of investments | 26,215,758 | 21,039,394 |
| | \$ 36,090,204 | \$ 44,124,157 |

Guaranteed investment certificates earn interest at rates ranging from 2.40% to 5.55% (2023 - 2.40% to 5.60%) and have maturities ranging from May 2024 to February 2028 (2023 - April 2023 to February 2028). 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:

| | 2024 | 2023 |
|---------------------------------|---------------|---------------|
| Investments | \$ 61,433,278 | \$ 64,290,867 |
| Investments, held for endowment | 872,684 | 872,684 |
| Total investments | 62,305,962 | 65,163,551 |
| Less restricted funds required: | | |
| Internally restricted funds | 2,178,779 | 4,300,410 |
| Externally restricted funds | 14,726,336 | 8,243,364 |
| Endowment restricted funds | 872,684 | 872,684 |
| | 17,777,799 | 13,416,458 |
| Unrestricted investments | \$ 44,528,163 | \$ 51,747,093 |

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

| | 2024 | 2023 |
|------------------------|--------------|--------------|
| Dividend income | \$ 324,873 | \$ 397,251 |
| Interest income | 1,420,094 | 747,970 |
| Realized capital gains | 2,417,239 | 117,925 |
| | \$ 4,162,206 | \$ 1,263,146 |

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2024

4. Tangible capital assets:

| | | | 2024 | 2023 |
|--------------------------------|----------------------|-----------------------------|----------------------|----------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 7,271,455 | \$ - | \$ 7,271,455 | \$ 7,271,455 |
| Lodge: | | | | |
| Building | 39,504,907 | 3,159,090 | 36,345,817 | 37,135,915 |
| HVAC system | 1,170,154 | 187,224 | 982,930 | 1,029,736 |
| Roof | 834,900 | 133,584 | 701,316 | 734,712 |
| Elevators | 627,000 | 125,400 | 501,600 | 532,950 |
| Computer hardware and software | 163,297 | 148,248 | 15,049 | 18,456 |
| Office furniture and equipment | 11,942 | 3,583 | 8,359 | 10,748 |
| | <u>\$ 49,583,655</u> | <u>\$ 3,757,129</u> | <u>\$ 45,826,526</u> | <u>\$ 46,733,972</u> |

5. 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 \$658,093 (2023 - \$658,093) and will be recognized as revenue when received.

6. 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 bearing interest and acceptance fees (1.3% per annum) that renew every 90 days. The term loan facility is due and repayable on November 30, 2024, 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. In June 2023, the Foundation paid down the financing by \$10 million, resulting in a gain on the swap agreement of \$1,003,039. This also reduced the amortization period by approximately 4.5 years to April 30, 2040.

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 9(d)).

The loan agreement contains a requirement for the Foundation to maintain certain covenants. As at March 31, 2024, the Foundation is in compliance with the covenant requirements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2024

6. 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, 2024 at prevailing interest rates and applying a discount factor to the difference. As interest rates at March 31, 2024 were higher (2023 - higher) than the interest rate implicit in the Foundation's existing swap arrangement, a \$1,763,177 notional asset (2023 - \$2,238,633 notional asset) was recorded in the Statement of Financial Position and a corresponding unrealized loss of \$475,456 (2023 – gain of \$1,913,543) in the Statement of Operations reflecting the change in the fair value from the prior year.

7. Invested in capital assets:

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

| | 2024 | 2023 |
|-------------------------|---------------|---------------|
| Tangible capital assets | \$ 45,826,526 | \$ 46,733,972 |
| Amounts financed by: | | |
| Bank debt (note 6) | (23,125,000) | (34,148,000) |
| Less: | | |
| Financing unspent | - | 239,762 |
| | \$ 22,701,526 | \$ 12,825,734 |

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

| | 2024 | 2023 |
|---|--------------|--------------|
| Amortization of tangible capital assets | \$ (916,643) | \$ (916,665) |

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

| | 2024 | 2023 |
|--|---------------|-------------|
| Purchase of tangible capital assets | \$ 9,197 | \$ 20,699 |
| Repayment of bank debt | 11,023,000 | 986,000 |
| Use of unspent financing to fund payments on tangible capital assets and bank debt in year | (239,762) | (1,006,699) |
| | \$ 10,792,435 | \$ - |

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2024

8. Employee pension 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 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. As at December 31, 2023, the Plan has about 256,000 active members and approximately 129,000 retired members. Active members include 17 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, 2021 indicated a \$3,761 million funding surplus for basic pension benefits and a balance of \$3,185 million in the rate stabilization account. The next valuation will be as at December 31, 2024, with results available in 2025.

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 the individual employers participating in the Plan.

During fiscal 2024, the Foundation paid \$125,934 (2023 - \$116,162) for employer contributions to the Plan.

9. Transactions with Fraser Health Authority:

- (a) Included in accounts receivable at March 31, 2024 was \$47,000 (2023 - \$34,000) receivable from FHA for parking revenue which totaled \$344,946 (2023 - \$284,475).
- (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 4), 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.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2024

10. Commitments and contingencies:

Operating room commitments commenced in September 2020 and are being paid in quarterly instalments over four years. The Foundation initially committed to fund various projects related to these upgrades, with an estimated budget of \$23,500,000. However, the total funding completed in the current fiscal year and was \$22,250,139, coming in under the budgeted commitment.

The Foundation issues letters of guarantees through its financial institutions to provide guarantees to certain parties. Outstanding letters of guarantee amount to \$30,243 (2023 - \$30,243).

The Foundation has committed, in principle, to fund \$15,000,000 for the production kitchen/cafeteria renovation project. Formal timelines with FHA have not been established for this project as at March 31, 2024.

11. 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 assets are comprised of the following funds:

| | 2024 | 2023 |
|------------------------------------|---------------------|---------------------|
| Operating room redevelopment | \$ - | \$ 3,450,270 |
| Healthy community grants and other | 1,938,779 | 670,140 |
| Contingency reserve for the Lodge | 240,000 | 180,000 |
| | <u>\$ 2,178,779</u> | <u>\$ 4,300,410</u> |

The Foundation made transfers from the unrestricted fund of \$2,192,940 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 \$60,000 (2023 - \$60,000) that has been internally restricted to a contingency reserve fund for the Lodge, in accordance with the term loan agreement (note 6).

12. Remuneration disclosure under Societies Act (British Columbia):

For the year ending March 31, 2024, the Foundation paid total remuneration of \$702,026 (2023 - \$806,669) to six (2023 - seven) 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.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2024

13. 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 \$10,150 (2023 - \$10,150) 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 \$737 (2023 - \$690) from the Fund has been recorded in the unrestricted fund balance of the Foundation. As at March 31, 2024, the Fund's market value was \$16,569 (2023 - \$15,663).

14. Financial risks:

(a) Credit risk:

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

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

(b) Liquidity risk:

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

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

(c) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates and 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.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2024

14. Financial risks (continued):

(d) Market risk (continued):

(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 3).

(ii) Interest rate risk:

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 6).

(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.

15. Subsequent event:

15451 Russell Avenue

In December 2023, the Foundation entered into an agreement to acquire a property, consisting of land and a medical building, adjacent to the Hospital campus for the purposes of long-term strategic development, for a cash consideration of \$7,920,000. The completion date of the acquisition was April 15, 2024. The transaction was recorded using the cost method of accounting, whereby the asset acquired was valued at the purchase price and will be depreciated over time as applicable.