Financial Statements of

VICTORIA HOSPITALS FOUNDATION

And Independent Auditor's Report thereon

Year ended March 31, 2026

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INDEPENDENT AUDITOR'S REPORT

To the Members of Victoria Hospitals Foundation

Report on the Financial Statements

Opinion

We have audited the financial statements of Victoria Hospitals Foundation ("the "Entity"), which comprise:

- the statement of financial position as at March 31, 2026
- the statement of operations and changes in fund balances 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, 2026, 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.

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Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor's report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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.

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 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 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 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 by Victoria Hospitals Foundation 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.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
October 27, 2026

VICTORIA HOSPITALS FOUNDATION

Statement of Financial Position

March 31, 2026, with comparative information for 2025

	2026	2025
Assets		
Current assets:		
Cash	$ 5,830,769	$ 5,051,989
Short-term investments (note 2)	14,500,000	7,000,000
Prepaid expenses and deposits	251,393	226,654
Other assets	1,318,537	1,156,171
	21,900,699	13,434,814
Investments (note 2)	34,264,294	28,080,869
	$ 56,164,993	$ 41,515,683
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 880,501	$ 696,537
Disbursements due to Island Health	1,669,187	470,367
	2,549,688	1,166,904
Fund balances:		
General	33,382,116	24,967,209
Restricted	19,983,189	15,131,570
	53,365,305	40,098,779
Endowment	250,000	250,000
	53,615,305	40,348,779
Commitments (notes 4 and 8)		
	$ 56,164,993	$ 41,515,683

See accompanying notes to financial statements.

Approved on behalf of the Board:

Cynthia Smith, Board Vice Chair

Jaz Dusanj, Board Treasurer

VICTORIA HOSPITALS FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2026, with comparative information for 2025

	General Fund	Restricted Fund	Total 2026	Total 2025
Revenue:				
Donations	$ 16,196,211	$ 18,814,589	$ 35,010,800	$ 22,113,342
Gaming revenue, net of prizes awarded (note 5)	2,339,477	124,078	2,463,555	2,173,218
Investment income	2,018,332	14,664	2,032,996	1,813,367
Sales tax rebate	1,353,993	–	1,353,993	616,938
Other	10,841	–	10,841	3,178
	21,918,854	18,953,331	40,872,185	26,720,043
Expenses:				
Direct fundraising	835,908	66,401	902,309	940,947
Public relations	310,579	–	310,579	268,951
Salaries and benefits	3,479,657	–	3,479,657	2,970,527
Office and administration	271,264	2,602	273,866	251,362
Professional fees	56,692	–	56,692	65,848
	4,954,100	69,003	5,023,103	4,497,635
	16,964,754	18,884,328	35,849,082	22,222,408
Income (loss) from investments:				
Realized gain (loss)	239,279	(1,233)	238,046	36,059
Unrealized gain	1,750,674	–	1,750,674	1,486,249
Management fees	(101,292)	–	(101,292)	(89,530)
	1,888,661	(1,233)	1,887,428	1,432,778
Excess of revenue over expenses before disbursements	18,853,415	18,883,095	37,736,510	23,655,186
Disbursements to Island Health (note 4)	(12,898,606)	(11,481,745)	(24,380,351)	(13,611,719)
Care worker recognition	(89,633)	–	(89,633)	(54,322)
Excess of revenue over expenses	5,865,176	7,401,350	13,266,526	9,989,145
Balance, beginning of year	24,967,209	15,131,570	40,098,779	30,109,634
Interfund transfers (note 3)	2,549,731	(2,549,731)	–	–
Balance, end of year	$ 33,382,116	$ 19,983,189	$ 53,365,305	$ 40,098,779

See accompanying notes to financial statements.

VICTORIA HOSPITALS FOUNDATION

Statement of Cash Flows

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses before disbursements	$ 37,736,510	$ 23,655,186
Items not involving cash:		
Realized gain on investments	(238,046)	(36,059)
Change in unrealized gain on investments	(1,750,674)	(1,486,249)
Changes in non-cash operating working capital:		
Prepaid expenses and deposits	(24,739)	(10,039)
Other assets	(162,366)	(79,472)
Accounts payable and accrued liabilities	183,964	174,766
	35,744,649	22,218,133
Disbursement activities to Island Health:		
Balance due, beginning of year	(470,367)	(846,684)
Disbursements approved and invoiced	(24,380,351)	(13,611,719)
	(24,850,718)	(14,458,403)
Balance due, end of year	1,669,187	470,367
Care worker recognition	(89,633)	(54,322)
	(23,271,164)	(14,042,358)
	12,473,485	8,175,775
Investing:		
Proceeds of disposal of investments	1,369,418	3,220,413
Maturity of short-term investments	7,000,000	6,000,000
Purchase of short-term investments	(14,500,000)	(7,000,000)
Purchase of and reinvestment of investments	(5,564,123)	(10,561,618)
	(11,694,705)	(8,341,205)
Increase (decrease) in cash	778,780	(165,430)
Cash, beginning of year	5,051,989	5,217,419
Cash, end of year	$ 5,830,769	$ 5,051,989

See accompanying notes to financial statements.

Victoria Hospitals Foundation (the "Foundation") is incorporated under the Society Act (British Columbia) and transitioned to the new Societies Act on October 12, 2018. It is registered as a public foundation under business number 10793 5637 RR0001 with the Canada Revenue Agency.

The Foundation acts as the official fundraising arm for the Royal Jubilee, Victoria General and Gorge Rd. hospitals operated by Island Health. The Foundation receives certain administrative services without charge from Island Health. Donations received by the Foundation are used to enhance healthcare through equipment purchase, facility enhancement or by assisting in health-related research and education. Donations are not applied to hospital operating expenses.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) Fund accounting:

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

For financial reporting purposes, the accounts have been classified into the following funds:

The General Fund accounts for the Foundation's general operating activities, donations that are not specifically designated by donors and investment income earned. Expenses are recorded in the General Fund except directly attributable processing fees related to donations directed by the donor.

The Restricted Fund comprises funds for which the purposes have been specifically designated by donors.

The Endowment Fund comprises amounts that are required to be maintained by the Foundation on a permanent basis. Investment income earned on the Endowment fund is reported in the Restricted Fund. There are no changes in assets or liabilities, revenues or expenses in the years presented, therefore a statement of operations and changes in fund balances have not been presented.

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").

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 operations and changes in fund balances.

1. Significant accounting policies (continued):

(b) Revenue recognition:

Unrestricted contributions are recognized as revenue of the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions related to general operations or for which no restricted fund exists are recognized as revenue of the General Fund in the year in which the related expenses are incurred.

All other restricted contributions are recognized as revenue in the Restricted Fund.

(c) Contributed services and materials:

Donated materials and services are recognized in the financial statements when a fair value can be reasonably established in the market and when the materials and services are used in the normal course of operations and would otherwise have been purchased.

(d) Recognition of disbursements to Island Health:

Disbursements to Island Health are recorded when the purchase of equipment has been approved and invoiced to the Foundation.

(e) Employee benefits:

Sick leave is available to the Foundation’s employees. The sick leave obligation is accrued based on projected benefits as the employees render services necessary to earn the future benefits.

The Foundation and its employees make contributions to the Municipal Pension Plan. Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when due and payable.

(f) Cash and short-term investments:

Cash includes deposits in banks. Short-term investments include deposits that are highly liquid with original maturities of less than eight months at the date of acquisition and readily convertible to cash.

1. Significant accounting policies (continued):

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value and all changes in the fair value are recognized in the statement of operations in the period incurred. 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 investments subsequently at fair value and all other financial instruments subsequently at 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 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.

(h) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the year. Actual results could differ from those estimates.

2. Short-term investments and investments:

Short-term investments are comprised of two fixed rate investments (non-redeemable guaranteed investment certificates) for $7,500,000 and $7,000,000 with the interest rate of 3.23%, and maturity date of August 3, 2026 and 3.07%, and maturity date of September 22, 2026 respectively. To manage liquidity and meet outstanding commitments to Island Health (note 4), the Foundation maintains short-term investments as part of its cash flow management strategy.

The major components of investments are as follows:

March 31, 2026	Market	Cost	Unrealized gain (loss)
Cash and cash equivalents	$ 753,161	$ 753,161	$ –
Short-term investments	14,500,000	14,500,000	–
Bond funds	14,773,124	15,315,787	(542,663)
Canadian equity funds	7,540,648	4,863,802	2,676,846
US equity funds	5,322,992	3,245,434	2,077,558
Foreign equity funds	5,012,484	3,641,729	1,370,755
Global equity funds	861,886	703,256	158,630
	$ 48,764,295	$ 43,023,169	$ 5,741,126

March 31, 2025	Market	Cost	Unrealized gain (loss)
Cash and cash equivalents	$ 632,314	$ 632,314	$ –
Short-term investments	7,000,000	7,000,000	–
Bond funds	12,165,651	12,615,787	(450,136)
Canadian equity funds	4,941,425	3,419,917	1,521,508
US equity funds	4,234,288	2,475,434	1,758,854
Foreign equity funds	4,126,402	3,331,729	794,673
Global equity funds	1,980,788	1,615,210	365,578
	$ 35,080,868	$ 31,090,391	$ 3,990,477

3. Interfund transfers:

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

4. Commitments:

The Foundation has a policy of disbursing funds to Island Health once an invoice for equipment has been received. There can be a long and unpredictable timeline from the date of commitment to the time of invoicing due to equipment trial periods and delivery times. Pledges are not included in the commitments listing.

The following is a summary of commitments made and invoices recognized during the year:

	Cumulative commitments outstanding at March 31, 2025	Commitments made during the fiscal year	Approved and invoiced during the fiscal year	Cumulative commitments outstanding at March 31, 2026
Capital and Strategic Projects	$ 18,798,426	28,072,204	23,393,307	23,477,323
Education	1,521,044	1,349,416	755,282	2,115,178
Research	89,002	291,762	231,762	149,002
Balance, end of year	**$ 20,408,472**	**29,713,382**	**24,380,351**	**25,741,503**

5. Gaming revenue:

Gaming revenue includes a public raffle, public 50/50 raffle draws, 50/50 raffle draws with hospital staff, event raffles and amounts from other organizations that raise funds on the Foundation's behalf. Gross revenue was $4,802,487 (2025 - $4,245,695), and prizes of $2,338,932 (2025 - $2,072,477) were awarded during the year.

6. Municipal Pension Plan:

The Foundation and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusteed 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 are based on a formula. As at December 31, 2024, the plan has about 273,000 active members and approximately 133,000 retired members.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent actuarial valuation as at December 31, 2024 indicated a $2,675 million funding surplus for basic pension benefits. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The next valuation will be as at December 31, 2027 with results available later in 2028.

The Foundation paid $229,073 for employer contributions to the Plan in 2026 (2025 - $196,691).

7. Financial risks and concentration of risk:

The Foundation is exposed to interest, currency or credit risks arising from its financial instruments. Risks related to market value fluctuation of investments are mitigated by the Foundation's investment policies regarding portfolio mix. Investments are purchased and sold during the year to comply with the Foundation's Board approved investment policy regarding permitted asset mix. The market value and composition of investments is disclosed in note 2.

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 have been no changes to the risk exposures from 2025.

8. Other information:

American Friends of the Victoria Hospitals Foundation ("AFVHF") is a US non-profit corporation that qualifies as a charity under US tax law. AFVHF provide donations to the Foundation in the following areas of interest: medical and scientific research and education activities, promoting wellness and care of the sick and disabled. In fiscal 2026, the Foundation received a $940,000 (2025 - $nil) USD donation from American Friends of the Victoria Hospitals Foundation. The Foundation has an administrative operating agreement with the American Friends of the Victoria Hospitals Foundation. The Board approved to pay for operating costs of AFVHF up to $20,000 (2025 - $15,000) USD. During the year, the Foundation directly paid operating costs of $230 (2025 - $170) USD, included in office and administration and professional fees, while AFVHF paid operating costs of $5,811 (2025 - $6,693) USD. These transactions are recorded at exchange value.

9. Employee and contractor remuneration:

The BC Societies Act came into effect on November 28, 2016. The Act has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors for financial statements prepared after November 28, 2016.

For employee and contractor remuneration the requirement is to disclose amounts paid to individuals whose remuneration, including salaries and benefits, was greater than $75,000. For the fiscal year ending March 31, 2026, the Foundation paid remuneration, including salaries and benefits, to ten (10) employees (2025 - ten (10) employees) each of whom received total annual remuneration of $75,000 or greater; and the total amount paid was $1,390,338 (2025 - $1,206,842).

10. Comparative information:

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