

Financial Statements of

RICK HANSEN FOUNDATION

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Rick Hansen Foundation

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Rick Hansen Foundation (the "Foundation"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of 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 Foundation as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Foundation 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.



Other Matter – Comparative Information

The financial statements for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 19, 2019.

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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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.



Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 Foundation'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 the Foundation'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 Foundation 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.

Reporting 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 18, 2020

RICK HANSEN FOUNDATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 9,108,968	\$ 8,546,048
Short-term deposits	-	5,103,288
Accounts receivable	189,762	156,557
Interest receivable	140,887	101,540
Prepaid expenses and deposits	466,295	179,748
	<u>9,905,912</u>	<u>14,087,181</u>
Investments - at fair value (note 4)	5,167,373	5,693,074
Capital assets (note 5)	193,304	214,725
UBC endowment rights (note 6)	60,323	140,754
Intellectual property rights (note 7)	1,800,000	1,800,000
	<u>\$ 17,126,912</u>	<u>\$ 21,935,734</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 861,036	\$ 685,280
Deferred contributions (note 9)	9,331,926	13,594,168
	<u>10,192,962</u>	<u>14,279,448</u>
Net assets:		
Unrestricted	1,895,838	2,029,928
Internally restricted (note 10)	4,904,544	5,497,790
Endowment	133,568	128,568
	<u>6,933,950</u>	<u>7,656,286</u>
Commitments (note 11)		
Impact of COVID-19 on operations (note 15)		
	<u>\$ 17,126,912</u>	<u>\$ 21,935,734</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

RICK HANSEN FOUNDATION

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Government and other grants (note 9)	\$ 6,251,829	\$ 7,169,098
Sponsorships and donations (note 9)	2,500,882	2,148,954
Investment income (note 4)	1,237,187	1,332,390
Other	579,469	558,139
	<u>10,569,367</u>	<u>11,208,581</u>
Expenses (note 14):		
Research	2,183,003	2,434,405
Accessibility	3,528,840	3,882,251
Education and outreach	1,166,940	1,028,062
Awareness	1,987,052	1,859,432
Other	94,000	59,958
	<u>8,959,835</u>	<u>9,264,108</u>
Total programs	8,959,835	9,264,108
Fundraising	583,792	1,001,183
Management and administration	1,235,465	1,053,290
	<u>10,779,092</u>	<u>11,318,581</u>
Deficiency of revenue over expenses before the undernoted items	(209,725)	(110,000)
Fair value changes on investments (note 4)	(517,611)	42,577
Loss on disposal of capital assets	-	(704)
Deficiency of revenue over expenses for the year	<u>\$ (727,336)</u>	<u>\$ (68,127)</u>

See accompanying notes to financial statements.

RICK HANSEN FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

March 31, 2020	Unrestricted	Internally Restricted	Endowment	Total 2020
Net assets, beginning of year	\$ 2,029,928	\$ 5,497,790	\$ 128,568	\$ 7,656,286
Deficiency of revenue over expenses	(134,090)	(593,246)	-	(727,336)
Endowment contribution	-	-	5,000	5,000
Net assets, end of year	\$ 1,895,838	\$ 4,904,544	\$ 133,568	\$ 6,933,950

March 31, 2019	Unrestricted	Internally Restricted	Endowment	Total 2019
Net assets, beginning of year	\$ 2,104,485	\$ 5,491,360	\$ 128,568	\$ 7,656,286
Deficiency of revenue over expenses	(74,557)	6,430	-	(68,127)
Net assets, end of year	\$ 2,029,928	\$ 5,497,790	\$ 128,568	\$ 7,656,286

See accompanying notes to financial statements.

RICK HANSEN FOUNDATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (727,336)	\$ (68,127)
Items not involving cash:		
Fair value changes in investments (note 4)	517,611	42,577
Loss on disposal of capital assets	-	704
Amortization of capital assets	108,720	115,906
Amortization of UBC endowment rights (note 6)	80,431	80,431
	(20,574)	171,491
Changes in non-cash operating working capital:		
Accounts receivable	(33,205)	10,406,284
Interest receivable	(39,347)	(3,706)
Prepaid expenses and deposits	(286,547)	1,759
Accounts payable and accrued liabilities	175,756	(66,368)
Due to related parties	-	(102,115)
Deferred contributions (note 9)	(4,262,242)	(4,191,632)
	(4,466,159)	6,215,713
Financing:		
Endowment contribution	5,000	-
Investments:		
Purchase of capital assets	(87,299)	(65,352)
Net sale (purchase) of investments	8,090	(81,615)
Sale of short-term deposits	5,103,288	1,818,222
	5,024,079	1,671,255
Increase in cash and cash equivalents	562,920	7,886,968
Cash and cash equivalents, beginning of year	8,546,048	659,080
Cash and cash equivalents, end of year	\$ 9,108,968	\$ 8,546,048

See accompanying notes to financial statements.

RICK HANSEN FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

1. Nature of operations:

The mission of the Rick Hansen Foundation (the “Foundation”) is to create and deliver innovative solutions that lead to a global movement to remove barriers and liberate the potential of people with disabilities. The Foundation was incorporated on July 19, 1988 and registered as a charity under the Income Tax Act on September 1, 1989. On September 1, 1992, the Foundation was granted Public Foundation status. As of April 1, 2018, the Foundation was re-designated as a charitable organization. The Foundation is registered under the Societies Act (British Columbia).

It fulfills its mission through programs and initiatives undertaken directly and/or through grants and contributions to other organizations. The Foundation’s awareness, access and inclusion, and education and outreach programs are designed to raise awareness and remove physical barriers to accessibility for people with disabilities.

2. Basis of preparation and significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – *Accounting*, and reflect the following significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents consist of cash and highly liquid short-term investments, which are defined as those having a maturity of less than three months from the date of acquisition.

(b) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. When a portion of such contributions relates to a future period, it is deferred and recognized in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and recognized as revenue on a straight-line basis, at a rate corresponding with the amortization for the related asset.

Endowment contributions are recorded as direct increases in net assets. These endowment funds are held in perpetuity and will provide investment income allocations to support programs and leadership of the Foundation as determined by each donor’s endowment agreement.

Unrestricted donations are recognized as revenue when received.

Sponsorship, event and other revenues are recognized in the period when the related services or goods have been provided or on completion of the related event.

RICK HANSEN FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

2. Basis of preparation and significant accounting policies:

(b) Revenue recognition:

Investment income comprising interest and dividends earned on investments and on cash and cash equivalents as well as endowment income (note 6) are recorded on the accrual basis. Fair value changes in investments is recognized separately and comprises realized and unrealized gains and losses on investments. Where the donor restricts the income earned on endowed or restricted funds, the related investment income is deferred and recognized as revenue as the related expenses are incurred. Investment income earned on investments of general funds is recognized as revenue as it is earned.

(c) Financial instruments:

The Foundation's financial instruments consist of cash and cash equivalents, short-term deposits, accounts receivable, interest receivable, investments, and accounts payable and accrued liabilities.

Cash and cash equivalents, short-term deposits, accounts receivable, interest receivable, and accounts payable and accrued liabilities are initially measured at fair value and subsequently carried at amortized cost. Investments are initially measured and subsequently carried at fair value with realized and unrealized gains and losses recognized in the statement of operations as fair value changes.

(d) Capital assets:

Capital assets are initially recorded at cost. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. The Foundation reviews the carrying amount of capital assets for impairment whenever events or changes in circumstances indicate that the capital asset no longer contributes to the Foundation's ability to provide services, or that the value of future economic benefits or service potential associated with the asset is less than its carrying amount. If such conditions exist, an impairment loss is measured and recorded in the statement of operations at the amount by which the carrying amount of the capital asset exceeds its fair value or replacement cost.

Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Asset	Years
Computer hardware and software	5 years
Office furniture	5 years
Leasehold improvements	Remaining lease term

RICK HANSEN FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

2. Basis of preparation and significant accounting policies (continued):

(e) Intangible assets:

- (i) The intellectual property rights were recognized in an amount equal to the fair market value as determined by an independent valuation. As the life is considered indefinite, no amortization has been taken. When the asset's life is determined to be no longer indefinite, amortization will be taken over the estimated useful life of the asset.
- (ii) The University of British Columbia ("UBC") endowment rights (note 6) were recognized in an amount equal to the fair market value of the April 1, 2006 agreement between the Foundation and UBC. The asset is being amortized using the straight-line method over the 14.75 year life of the agreement.

The Foundation reviews for the impairment of intangible assets when changes in events or circumstances indicate that the intangible asset no longer contributes to the Foundation's ability to provide services or that the value of future economic benefits or service potential associated with the intangible asset is less than its carrying amount. When conditions indicate that the intangible asset is impaired, the net carrying amount is written down to the asset's fair value or replacement cost.

(f) Allocation of expenses:

The Foundation engages in Education and Outreach, Awareness, Accessibility, Research and other programs. The Foundation incurs a number of management and administration support costs and allocates these expenses to the programs proportionately based on the time incurred where relevant and proportionately based on full time equivalents for other areas. Management and administration support costs include accounting; human resources; information technology; purchasing; marketing; and occupancy costs. Management reviews the basis of expense allocation on a periodic basis or when there is a significant change in functions or cost structure, and makes any adjustments to the basis of allocation accordingly.

(g) Use of estimates:

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of management estimates include the determination of useful lives of capital assets for purposes of amortization, valuation of capital assets and intangible assets including intellectual property and UBC endowment rights, accounts receivable, and provisions for accrued liabilities and contingencies. Actual results could differ from those estimates.

(h) 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.

The Foundation benefits from donated services involving volunteer time for various committees and events. Due to the difficulty of determining its fair value, donated volunteer time is not recognized in these financial statements.

RICK HANSEN FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

2. Basis of preparation and significant accounting policies (continued):

(i) Adoption of new accounting standards:

In March 2018, the Accounting Standards Board issued "*Basis for Conclusions- Accounting Standards Improvements for Not-for-Profit Organizations*" resulting in the introduction of a new handbook section on capital assets in the Accounting Standards for Not-for-Profit Organizations Part III of the Handbook as follows:

- *Section 4433, Tangible Capital Assets Held by Not-For-Profit Organizations*, which directs organizations to apply the accounting guidance of Section 3061, *Property Plant and Equipment*, in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This Section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed on adoption of the new standard by the Foundation as at April 1, 2019.

- *Section 4434, Intangible Assets Held by Not-For-Profit Organizations*, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset's fair value or replacement cost.

This Section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at April 1, 2019.

The implementation of these changes had no impact on these financial statements.

3. Cash and cash equivalents:

Included in cash and cash equivalents is a notice plan which is redeemable with 31-days' notice. As at March 31, 2020, the notice plan balance is \$6,042,280 (2019 - \$5,228,853). The notice plan earned an average interest rate of 2.3% during the year (2019 - 2.0%).

4. Investments:

Funds contributed to the Foundation for its charitable purposes are managed externally in accordance with the investment policies of the Foundation. Substantially all Foundation investments are in Canadian instruments and are low to moderate risk investments. Cash included within investments relates to timing of investment purchases and is not readily available to the Foundation for operational use.

RICK HANSEN FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

4. Investments (continued):

Investments, at market value, are outlined in the following table:

	2020	2019
Cash and money market funds	\$ 255,249	\$ 82,903
Fixed income	350,472	519,912
Pooled funds:		
Fixed income	1,874,331	1,964,793
Equities	2,687,321	3,125,466
	\$ 5,167,373	\$ 5,693,074

Investment income comprises the following:

	2020	2019
Endowment income (note 6)	\$ 765,239	\$ 742,272
Interest on investments	74,961	67,980
Interest on cash and cash equivalents and short-term deposits	260,336	320,632
Dividends	136,651	201,506
	\$ 1,237,187	\$ 1,332,390

Fair value changes on investments comprise the following:

	2020	2019
Realized gain on sale of investments	\$ 11,791	\$ 17,357
Unrealized gain (loss) on investment	(529,402)	25,220
	\$ (517,611)	\$ 42,577

5. Capital assets:

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 386,837	\$ 251,289	\$ 135,548	\$ 88,043
Software	56,978	41,998	14,980	22,074
Office furniture	223,192	206,369	16,823	39,727
Leasehold improvements	429,040	403,087	25,983	64,881
	\$ 1,096,047	\$ 902,743	\$ 193,304	\$ 214,725

RICK HANSEN FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

6. UBC endowment rights:

On April 1, 2006, the Foundation entered into an agreement with UBC whereby the Foundation acquired the rights to a future income stream. The future income stream available until December 31, 2020 is as follows:

- (a) 100% of the annual budgeted income of the National Fellowship Endowment Fund that is held at the UBC Foundation;
- (b) 100% of the annual budgeted income of the portion of the UBC Disability Resource Centre Endowment Fund that is held at the UBC Foundation;
- (c) 46% of the actual income received from the portion of the UBC Disability Resource Centre Endowment Fund that is held at the Vancouver Foundation, and
- (d) 100% of the actual income received from the Rick Hansen Man In Motion Fund that is held at the Vancouver Foundation.

If, at any time, the endowments held by the Vancouver Foundation in (c) and (d) are transferred back to the UBC Foundation, UBC will begin forwarding an annual budgeted amount, net of any deficit amounts in the operating accounts of these endowments.

During the year, income of \$765,239 (2019 - \$742,272) was received from the endowments and recognized as investment income (note 4).

The cost of acquiring the future income streams is recorded as an intangible asset and is being amortized over the life of the agreement (14.75 years). The original cost was \$1,186,356 and accumulated amortization at March 31, 2020 is \$1,126,033 (2019 - \$1,045,602), resulting in a net book value of \$60,323 (2019 - \$140,754).

The receipt of the future income stream is dependent on the Foundation utilizing the funds in accordance with the terms of the original deeds of trust that are attached to the endowments listed above and the completion of a new agreement with UBC.

7. Intellectual property rights:

In 2009, the Foundation was donated the right to use and associate the name of Rick Hansen with the Foundation. This right was recorded as an intangible asset at its fair market value of \$1,800,000, which was determined by an independent valuation. This asset was determined to have an indefinite useful life and will not be amortized until its life is determined to be no longer indefinite. The rights are tested annually for impairment. This asset is included in unrestricted fund balances.

At March 31, 2020, management has assessed there to be no impairment on the carrying value of the asset.

RICK HANSEN FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

8. Government remittances:

Government remittances consist of amounts (such as sales taxes, payroll withholdings, employee benefit costs, worker's compensation premiums, and BC employer health tax) required to be paid to government authorities and are recognized when the amounts become due. At March 31, 2020, \$30,126 (2019 - \$29,598) of government remittances owing is included within accounts payable and accrued liabilities.

9. Deferred contributions:

The Foundation receives grants and other contributions to be held, invested, administered and disbursed in accordance with the related funding agreements. Deferred contributions related to expenses of future periods represent these unspent externally restricted grants and related investment income, which are for the purpose of providing grants to eligible recipients and the payment of operating and capital expenditures in future periods.

Balance, beginning of year	\$ 13,594,168
Funds received during the year:	
Government and other grants	2,483,000
Sponsorships and donations	1,760,526
Investment income on Foundation endowment funds net of fair value adjustment loss	(14,321)
Amounts recognized as revenue:	
Government and other grants	(6,208,573)
Sponsorships and donations	(2,275,085)
Endowment income	(7,789)
Balance, end of year	<u>\$ 9,331,926</u>

10. Internally restricted net assets:

Internally restricted net assets are funds set aside for designated purposes as approved by the Board of Directors and consist primarily of the Leadership funds for strategic initiatives to be spent in accordance with the designated purpose. The net asset balance is adjusted by annual gains/losses on internally restricted funds held in investments reported as part of annual surplus/deficit and any funds spent.

RICK HANSEN FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

11. Commitments:

(a) Grant contributions:

In fiscal 2014, the Foundation entered into an agreement to provide research grants of \$20,000,000 over 10-years. The grant amounts provided to date total \$12,172,129 (2019 - \$10,483,358) with the remaining commitment of \$7,827,870 outstanding as at March 31, 2020 (2019 - \$9,516,642). The timing of payment of the remaining committed amounts are subject to annual financial and budget reviews and agreement with the funded parties.

Commitments to provide accessibility improvement grants and grants to various other organizations total \$1,844,013 (2019 - \$1,217,964). The grants are payable subject to and at the time when the accessibility and other projects being funded are completed by the funded parties, which cannot be readily be determined as at March 31, 2020.

(b) Accessibility improvement projects:

The Foundation has entered into contracts with organizations to complete accessibility improvement projects at their premises. Commitments related to the accessibility projects total \$513,904 (2019 - \$588,459). The Foundation has sufficient restricted funding to cover this commitment. The projects are payable subject to and at the time when the accessibility projects being funded are completed by the funded parties, which cannot be readily be determined as at March 31, 2020.

(c) Operating leases:

The Foundation has operating leases for office space that expire in fiscal 2021. The Foundation also has a number of short-term operating leases. The estimated remaining annual minimum lease payments are as follows:

2021	\$	178,405
2022		22,940
2023		23,629
2024		1,969
	\$	226,943

(d) The Foundation entered into an agreement where it committed to waive registration fees for 1086 sites/buildings for the Rick Hansen Accessibility Program. There are no remaining commitments from this agreement outstanding (2019 - \$42,571).

RICK HANSEN FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

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

During the period ended March 31, 2020, the Foundation paid total remuneration of \$1,746,978 (2019 - \$1,771,217) to the 10 most highly remunerated employees and contractors whose remuneration was at least \$75,000.

The Foundation does not pay any remuneration to members of their Board of Directors.

13. Financial instruments and risk management:

(a) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Foundation is not exposed to significant currency risk.

(b) Interest rate risk:

Interest rate risk is the risk that the Foundation's investments will change in fair value due to future fluctuations in market interest rates. The Foundation has an exposure to interest rate risk as a portion of its revenue is derived from interest on its investments. The Foundation does not use derivative financial instruments to mitigate this risk. Management frequently reviews the interest rates to mitigate risk to the Foundation.

(c) Market risk and other price risk:

Market risk and other price risk are the risks that the fair value of an investment will fluctuate due to changes in market conditions. Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Foundation is exposed to fair value risk on its investments in pooled funds holding short-term notes, bonds and debentures and marketable equity securities. These market risks are managed by establishing and monitoring asset allocation strategies and minimum credit criteria, and by diversifying investments within the various asset pools held by the Foundation.

(d) Credit risk:

Credit risk is the risk of loss resulting from failure of an individual or group to honour their financial obligations. The Foundation holds accounts receivable and investments in bonds and debentures which potentially expose it to credit risk. The Foundation does not consider there to be significant risk on its accounts receivable balance. As its investments are managed to maintain minimum credit criteria and diversified within various asset pools, the Foundation is not considered to be significantly exposed to credit risk.

(e) Liquidity risk:

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they fall due. The Foundation's approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flows to fund operations and settle liabilities when due.

There have been no significant changes in risk exposure from prior years, other than the potential impact that the COVID-19 pandemic might have, particularly with respect to market risk, as disclosed in note 15.

RICK HANSEN FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

14. Allocation of expenses:

- (a) Management and administration support costs are allocated to the programs and fundraising as follows:

	2020	2019
Research	\$ 189,201	\$ 127,057
Accessibility	783,770	854,677
Education and outreach	284,735	235,157
Awareness	395,918	479,808
Other	-	4,943
Fundraising	380,111	393,241
	<u>\$ 2,033,735</u>	<u>\$ 2,094,883</u>

- (b) The Foundation's costs presented by nature are as follows:

	2020	2019
Grants and sponsorships	\$ 2,838,657	\$ 2,686,938
Salaries and benefits	4,630,264	5,205,532
Consulting, contract services and certification fees	1,465,219	1,644,215
General administration and office	941,981	873,231
Events, travel, meetings and conferences	581,568	550,052
Professional fees	132,252	162,276
Amortization	189,151	196,337
	<u>\$ 10,779,092</u>	<u>\$ 11,318,581</u>

15. Impact of COVID-19 on operations:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the Foundation has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Reduction in the fair value of investments held as at March 31, 2020 due to unrealized losses.
- Temporary work from home arrangements for all employees of the Foundation.
- Reduction of accessibility services and Rick Hansen Foundation Accessibility Certification ratings.
- Conversion of materials used for the Rick Hansen Foundation Education and Outreach program to a virtual format so that this program will continue throughout the pandemic.
- Temporary pause on some fundraising initiatives.

RICK HANSEN FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

15. Impact of COVID-19 on operations (continued):

At this time, the impact of COVID-19 on the Foundation's ability to generate revenues is not known; these factors present uncertainty over future cash flows, which may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not predictable at this time. The Foundation continues to closely monitor the recommendations from public health agencies and government authorities and is implementing its business continuity plans in efforts to reduce the financial implications and continue operations.