

Financial Statements of

BILL REID FOUNDATION

And Independent Auditors' Report thereon

Year ended December 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Bill Reid Foundation:

Report on the Audit of Financial Statements

Qualified Opinion

We have audited the financial statements of the Bill Reid Foundation (the "Foundation"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "**Basis for Qualified Opinion**" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2021, 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 Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation.



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

- the current assets, deferred contributions, and deferred capital contributions reported in the statements of financial position as at December 31, 2021 and 2020
- the individual donations revenue and excess of revenue over expenses reported in the statements of operations for the years ended December 31, 2021 and 2020
- the net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2021 and 2020
- the excess of revenue over expenses reported in the statements of cash flows for the years ended December 31, 2021 and 2020.

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

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

We are independent of the 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 qualified 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 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.

- 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.

Report on Other Legal and Regulatory Requirements

As required by the *Societies Act* (British Columbia), we report that, in our opinion, the accounting policies 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'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a signature underline.

Chartered Professional Accountants

Vancouver, Canada
May 26, 2022

BILL REID FOUNDATION

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 227,523	\$ 265,086
Accounts receivable	714	24,266
Prepaid expenses and deposits	6,973	8,175
Inventory (note 4)	40,354	46,511
	<u>275,564</u>	<u>344,038</u>
Restricted term deposit (note 3)	32,500	32,500
Tangible capital assets (note 5)	1,277,270	1,495,787
Bill Reid Foundation collection	951,549	920,689
Internally restricted assets held for endowment:		
Cash	349,229	110,491
Investments (note 11)	263,723	-
Contribution receivable	10,000	-
	<u>622,952</u>	<u>110,491</u>
	<u>\$ 3,159,835</u>	<u>\$ 2,903,505</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 80,108	\$ 78,835
Current portion of service fee payable (note 7)	30,000	17,500
Deferred revenue	13,801	21,360
Deferred contributions (note 8)	103,141	190,740
	<u>227,050</u>	<u>308,435</u>
Service fee payable (note 7)	70,000	100,000
Deferred capital contributions (note 9)	1,102,144	1,292,571
	<u>1,399,194</u>	<u>1,701,006</u>
Net assets:		
Invested in collection	951,549	920,689
Endowment (note 10)	622,952	110,491
Unrestricted	186,140	171,319
	<u>1,760,641</u>	<u>1,202,499</u>
Subsequent event (note 3)		
Commitment (note 14)		
	<u>\$ 3,159,835</u>	<u>\$ 2,903,505</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

BILL REID FOUNDATION

Statement of Operations

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

	2021	2020
Revenue:		
Retail and gallery sales	\$ 228,757	\$ 141,837
Admissions and memberships	43,855	26,992
Gallery rentals and other	13,241	8,687
Simon Fraser University (note 7)	166,992	166,073
Amortization of deferred capital contributions (note 9)	220,427	215,429
Fundraising events	135,464	-
Individual donations	47,799	115,073
Foundation grants	112,709	178,100
Corporate donations	23,000	26,000
Government (note 13)	575,607	423,212
	<u>1,567,851</u>	<u>1,301,403</u>
Cost of revenue:		
Cost of goods sold (note 4)	115,593	88,835
Collection maintenance	8,375	5,685
Advertising and promotion	39,625	42,595
Fundraising	47,718	12,845
Exhibitions	92,826	57,924
Education programs	12,645	3,506
Public programming	9,682	22,681
	<u>326,464</u>	<u>234,071</u>
Operations:		
Amortization	221,769	224,578
Salaries and benefits (note 12)	572,737	510,738
Facility costs	154,085	155,022
Professional fees	21,502	27,515
Office and administration	28,097	30,062
Bank charges and interest	10,806	7,983
Computer	7,461	9,465
Contractors	109	1,800
	<u>1,016,566</u>	<u>967,163</u>
	<u>1,343,030</u>	<u>1,201,234</u>
Excess of revenue over expenses	224,821	100,169
Unrestricted net assets, beginning of year	171,319	171,150
Interfund transfer to endowment fund (note 10)	(210,000)	(100,000)
Unrestricted net assets, end of year	<u>\$ 186,140</u>	<u>\$ 171,319</u>

See accompanying notes to financial statements.

BILL REID FOUNDATION

Statement of Changes in Net Assets

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

	Invested in collection	Endowment	Unrestricted	2021	2020
Balance, beginning of year	\$ 920,689	\$ 110,491	\$ 171,319	\$ 1,202,499	\$ 1,023,271
Excess of revenue over expenses	-	-	224,821	224,821	100,169
Interfund transfer (note 10)	-	210,000	(210,000)	-	-
Contributed collection items	30,860	-	-	30,860	79,059
Endowment contributions	-	302,461	-	302,461	-
Balance, end of year	\$ 951,549	\$ 622,952	\$ 186,140	\$ 1,760,641	\$ 1,202,499

See accompanying notes to financial statements.

BILL REID FOUNDATION

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 224,821	\$ 100,169
Items not involving cash		
Amortization of tangible capital assets	221,769	224,578
Amortization of deferred capital contributions	(220,427)	(215,429)
	226,163	109,318
Changes in non-cash operating items:		
Accounts receivable	23,552	(17,417)
Prepaid expenses and deposits	1,202	4,947
Inventory	6,157	17,056
Accounts payable and accrued liabilities	1,273	(15,407)
Deferred revenue	(7,559)	10,330
Deferred contributions	(87,599)	182,740
Service fee payable	(17,500)	(12,500)
	145,689	279,067
Financing:		
Receipt of capital contributions	30,000	35,000
Investments:		
Purchase of tangible capital assets	(3,252)	2,573
Endowment contributions received	292,461	-
Purchase of restricted investments	(263,723)	-
	25,486	2,573
Increase in cash	201,175	316,640
Cash, beginning of year	375,577	58,937
Cash, end of year	\$ 576,752	\$ 375,577
Supplemental information:		
Contributed collection items	\$ 30,860	\$ 79,059
Endowment contributions receivable	10,000	-

Cash is comprised of (i) cash and (ii) internally restricted cash held for endowment.

See accompanying notes to financial statements.

BILL REID FOUNDATION

Notes to Financial Statements

Year ended December 31, 2021

1. Purpose of the organization and continuance of operations:

Bill Reid Foundation (the “Foundation”) is a not-for-profit organization with the mission to perpetuate, protect, enhance and promote Bill Reid’s artistic and cultural legacy in the public interest. Its main initiative is the Bill Reid Gallery of Northwest Coast Art. The Foundation was incorporated on January 12, 1999 and is registered under the *Societies Act* (British Columbia). The Foundation is a registered charity and is exempt from income tax under section 149 of the *Income Tax Act*.

The Foundation has financed its operations to date through fundraising activities, grants and earned revenues to support its mission. Continued operations will require successful fundraising activities and/or future grants. The Foundation believes that funds will be obtained from existing or new contributors.

In 2021, the COVID-19 pandemic continued to impact populations worldwide, and the Canadian federal and provincial governments implemented emergency measures to combat the spread of the virus and its new variants. The economic conditions and the Foundation’s response to the pandemic had a material impact on the Foundation’s operating results and financial position in 2021. At the time of the approval of these financial statements, the primary impact on the Foundation has been the decline in retail and gallery sales, and admissions and membership revenue. The Foundation mitigated these impacts by reducing hours open to the public, reducing programming, and accessing available emerging funding from federal and provincial governments. The Foundation was able to sustain its fundraising efforts, retain key donors, and secure new corporate sponsors to sustain its programs. As the pandemic remains a concern, the Foundation continues to closely monitor the impact on its financial implications and continuing operations.

2. Significant accounting policies:

These financial statements of the Foundation has been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

(a) Net assets:

Operating Fund:

Revenues and expenses for operations and administration are recorded in the operating fund.

Endowment Fund:

During 2015, the Board of Directors (the “Board”) of the Foundation approved the creation of an endowment fund. Realized investment income is to be used to support exhibitions, education, mentorship, and acquisition programs, or other purposes that the Board deems necessary. The principal of the endowment fund cannot be used for general operating expenses.

BILL REID FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(a) Net assets (continued):

Invested in collection:

Invested in collection represents the value of the Bill Reid Foundation Collection (the "Collection") for both items purchased and contributed (Note 2(b)).

(b) Bill Reid Foundation Collection:

The Foundation holds a collection of works of art for the perpetual benefit of current and future generations. The Collection is recorded on the statement of financial position at cost. For items contributed to the collection, cost is deemed to be fair value at the date of contribution, estimated using market or appraisal value. Contributed contribution items are recorded as an increase to net assets. Any proceeds on disposal of works of art in the Collection is restricted for use to acquire additional items for the Collection or to maintain the Collection. The Foundation did not dispose of any Collection items in fiscal 2021 and 2020.

(c) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions, which include donations, fundraising revenue and grants. Under this method of accounting, revenue received with specific external restrictions is deferred and recognized in the period the related expenses are incurred or the restrictions are met.

Contributions restricted and used for construction, development, or purchase of tangible capital assets subject to amortization are recorded as deferred capital contributions and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related tangible capital assets once amortization of the capital asset commences.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collectability assured.

Retail and gallery sales, admissions and memberships and gallery rentals are recognized at the time the goods are provided, or services rendered.

(d) Inventory:

The Foundation's inventory consists of finished goods and is valued at the lower of cost and net realizable value. Cost includes price of purchase and related taxes and is determined on a weighted average basis by item. Inventory is written down to its net realizable value when the cost of inventory is not estimated to be recoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventory to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

BILL REID FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(e) Tangible capital assets:

Purchased tangible capital assets are initially recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Tangible capital assets are amortized over their estimated useful lives of the assets using the following methods and rates:

Asset	Basis	Rate
Computer equipment	Declining balance	55%
Audio visual equipment	Declining balance	20%
Office equipment and furniture	Declining balance	20%
Leasehold improvements	Straight-line	Term of the lease

The Foundation reviews for impairment the carrying value of tangible capital assets to be held and used whenever events or changes in circumstances indicate that associated future economic benefits or service potential have been reduced. 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.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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 any such financial 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 effective interest rate 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.

BILL REID FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(g) Contributed goods and services:

Volunteers contributed various services, during the year, by participating on boards and committees and assisting the Foundation in interpretation of the Collection and fundraising. These contributed services are not recognized in these financial statements, as they are impractical to record and the fair value is not determinable.

Contributed items are recorded at fair value at the time of donation to the Foundation.

(h) Use of estimates:

The preparation of financial statements in conformity with ASNPO 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 these financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and could impact future results of operations and cash flows.

3. Restricted term deposit and line of credit:

The Foundation has an authorized line of credit with a commercial bank of \$50,000 and a corporate credit card facility of \$15,000, secured by a guaranteed investment certificate ("GIC") of \$32,500. The GIC bears interest at 0.9% and matures on February 10, 2022. The line of credit bears interest at prime plus 0.5%. As at December 31, 2021, there was no balance outstanding on the line of credit (2020 - nil).

Subsequent to year-end, the GIC was renewed and will mature in March 2024.

4. Inventory:

Inventory relates to goods held for sale in the gallery shop. During the year ended December 31, 2021, cost of goods sold reported in the statement of operations is follows:

	2021	2020
Cost of inventory sold	\$ 106,508	\$ 83,646
Write down of inventory	3,463	395
Other	5,622	4,794
	<u>\$ 115,593</u>	<u>\$ 88,835</u>

BILL REID FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. Tangible capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 63,322	\$ 60,780	\$ 2,542	\$ 5,032
Audio visual equipment	87,641	80,625	7,016	6,134
Furniture	36,425	19,640	16,785	20,981
Office equipment	30,565	30,565	-	-
Leasehold improvements	2,108,145	857,218	1,250,927	1,463,640
	\$ 2,326,098	\$ 1,048,828	\$ 1,277,270	\$ 1,495,787

6. Government remittances:

Included in accounts payable and accrued liabilities are government remittances payable of \$11,150 (2020 - \$13,366) relating to sales and payroll taxes.

7. Management services agreement with Simon Fraser University ("SFU"):

On July 6, 2011, the Foundation signed a Management Services Agreement with SFU to provide storage, curatorial care and exhibition services for the founding Collection. Under the Agreement, the founding Collection was irrevocably and unconditionally donated and transferred by the Foundation, including all of its legal and beneficial right, title and interest, and copyright, to SFU.

The initial term of the agreement commenced August 1, 2011 and ended July 31, 2016. After the end of the initial term, the Agreement is automatically renewed on a yearly basis until the Agreement is terminated by SFU or the Foundation. During the year ended December 31, 2021, the Foundation received from SFU an annual fee of \$166,950 (2020 - \$163,710) in monthly instalments of \$13,800 (2020 - \$13,530) from January to July, and \$14,070 (2020 - \$13,800) from August to December.

Under the Agreement, SFU has right of first refusal to acquire any Bill Reid art or pieces donated to or negotiated for purchase by the Foundation after July 6, 2011. In April 2022, an amendment was signed by both parties to remove the first right of refusal clause from the Management Services Agreement.

A Prepayment Agreement was signed on October 3, 2018, between the Foundation and SFU, whereby SFU agreed to prepay \$150,000 of the service fee payable to the Foundation under the existing Agreement. In return, the Foundation agrees that beginning on May 1, 2019, the following 60-consecutive monthly payments, payable by SFU to the Foundation under the existing Agreement, will be reduced by \$2,500 each, for an aggregate reduction of \$150,000. In 2020, SFU agreed to defer the drawdown from May 2020 for one year. As at December 31, 2021, the deferred service fee outstanding is \$100,000 (2020 - \$117,500), of which \$30,000 is current relating to 12-months of drawdown (2020 - \$17,500 relating to 7-months).

BILL REID FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. Deferred contributions:

	2021			
	Opening balance	Contributions received	Recognized as revenue	Closing balance
Raven's Feast	\$ 3,500	\$ 2,500	\$ (6,000)	\$ -
BC Arts Council	70,000	-	(70,000)	-
NIB Trust Fund	17,240	-	(17,240)	-
Canadian Heritage	100,000	100,000	(100,000)	100,000
Roxanne Hoffman	-	1,000	-	1,000
The Hamber Foundation	-	2,000	-	2,000
Montessori Acade	-	141	-	141
	\$ 190,740	\$ 105,641	\$ (193,240)	\$ 103,141

	2020			
	Opening balance	Contributions received	Recognized as revenue	Closing balance
Vancouver Foundation	\$ 8,000	\$ -	\$ (8,000)	\$ -
Raven's Feast	-	3,500	-	3,500
BC Arts Council	-	70,000	-	70,000
NIB Trust Fund	-	76,226	(58,986)	17,240
Canadian Heritage	-	100,000	-	100,000
	\$ 8,000	\$ 249,726	\$ (66,986)	\$ 190,740

9. Deferred capital contributions:

	2021			
	Opening balance	Contributions received	Recognized as revenue	Closing balance
Capital assets	\$ 1,292,571	\$ 30,000	\$ (220,427)	\$ 1,102,144

	2020			
	Opening balance	Contributions received	Recognized as revenue	Closing balance
Capital assets	\$ 1,473,000	\$ 35,000	\$ (215,429)	\$ 1,292,571

BILL REID FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

10. Interfund transfers:

During the year ended December 31, 2021, the Foundation transferred \$210,000 (2020 - \$100,000) from the Operating Fund to the Endowment Fund.

11. Investments held for endowment:

The Foundation invests in accordance with the Foundation's Board approved investment policy. The investments are comprised of the following:

	2021	2020
Bond fund	\$ 71,218	\$ -
Canadian equity fund	94,449	-
US equity pooled fund	49,646	-
US small mid-cap equity pooled fund	13,074	-
International pooled fund	32,362	-
Money market fund	2,974	-
	<hr/> \$ 263,723	<hr/> \$ -

The Foundation aims to transfer 3% of the endowment fund's market value for general operating expenses, in particular to support the Foundation's mentorship activities that advance education and development of emerging indigenous artists, curators and cultural workers, as of January 30 each year. The principal of the endowment fund cannot be used for general operating expenses.

12. Remuneration of directors, employees and contractors:

During the year ended December 31, 2021 the Foundation paid one employee remuneration in excess of \$75,000 for a total of \$102,728 (2020 - \$99,501). The Foundation does not provide remuneration to its Board of Directors.

13. Canada Emergency Wage Subsidy:

Due to the COVID-19 pandemic, the Canadian government introduced the Canada Emergency Wage Subsidy ("CEWS") to assist organizations who had lost a certain percentage of their eligible revenue. During the year ended December 31, 2021, CEWS claims totaled \$139,454 (2020 - \$179,866) and was recognized as part of revenue from government in the statement of operations. As at December 31, 2021, included in accounts receivable is nil (2020 - \$16,644) relating to accrued CEWS amounts.

BILL REID FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

14. City of Vancouver lease:

The Foundation leases the premises at 639 Hornby Street, Vancouver, British Columbia, from the City of Vancouver at a cost of \$1 per year effective September 1, 2007 under the terms of a lease expiring August 31, 2027. The Foundation pays the operating costs.

The Foundation had the first option to renew the lease upon expiration for ten years, to August 31, 2027. This option was exercised on August 17, 2017. The Foundation has a second option to renew this lease, to August 31, 2037, under the same option and consideration as the first option. The Foundation is required to provide to the City of Vancouver not less than 6-months' and not more than 18-months' written notice upon expiration of the term of the lease.

15. Related party transactions:

During the year ended December 31, 2021, the Foundation received donations of \$76,921 (2020 - \$51,402) from Directors and organizations controlled by members of the Board of Directors. The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

16. Financial risks:

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Foundation is exposed to credit risk with respect to its cash and accounts receivable. The risk is reduced as the Foundation assesses, on a continuous basis, its accounts receivable and holds its cash with major financial institutions.

The Foundation's exposure to credit risk is impacted by the COVID-19 pandemic. Refer to Note 1 for more information.

(b) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Foundation is not exposed to significant interest rate risk.

(c) Liquidity risk:

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities.

The Foundation is exposed to liquidity risk with respect to its accounts payable and accrued liabilities. The Foundation mitigates this risk by budgeting and monitoring expenditures throughout the year.

The Foundation's exposure to liquidity risk is impacted by the COVID-19 pandemic. Refer to Note 1 for more information.

BILL REID FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2021

16. Financial risks(continued):

(d) Industry risk:

The Foundation operates in the cultural industry environment and can be affected by general economic trends. A decline in economic conditions, public consumer-spending levels or other adverse conditions could lead to reduced revenues and changes in operating results.

The Foundation's exposure to industry risk is impacted by the COVID-19 pandemic. Refer to Note 1 for more information.

(e) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates, interest rates and equity prices, will affect the Foundation's income or the value of its holdings of financial instruments. The overall investment philosophy of the Foundation is to maximize the long-term real rate of return, subject to an acceptable degree of risk, consistent with the long-term goal of capital preservation and growth. Investments should be structured and managed to provide for the generation of the targeted rate of investment return while assuming the minimum necessary amount of risk. Risk will be measured in terms of downside risk (or risk of loss) of the investment. As appropriate, investments will maintain appropriate levels of diversification in order to reduce overall risk which may include diversification by asset class, industry sector and geography.

There have been no significant changes to the risk exposures from the prior year other than the continued potential COVID-19 impact (Note 1).

17. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation used in the current year. The changes do not affect prior year deficiency of revenue over expenses.