

Financial Statements of

**KELOWNA GENERAL HOSPITAL
FOUNDATION**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Kelowna General Hospital Foundation

Opinion

We have audited the financial statements of Kelowna General Hospital Foundation (the Entity), which comprise:

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

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 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 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 Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

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

Chartered Professional Accountants

Kelowna, Canada

June 22, 2021

KELOWNA GENERAL HOSPITAL FOUNDATION

Statement of Financial Position

As at March 31, 2021, with comparative information for 2020

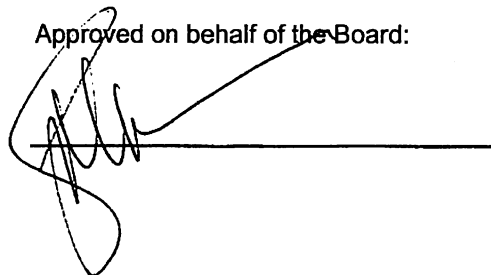
	2021	2020
Assets		
Current assets:		
Cash and restricted cash (note 2)	\$ 1,222,747	\$ 1,726,181
Accounts receivable	384,850	257,098
Canada Emergency Wage Subsidy receivable (note 3)	236,927	-
Inventories	26,807	31,266
Prepaid expenses and deposits	474	17,629
	<u>1,871,805</u>	<u>2,032,174</u>
Cash surrender value of life insurance policies (note 4)	266,694	236,517
Investments (note 5)	37,906,531	38,301,859
Tangible capital assets (note 6)	5,371,042	5,495,734
	<u>\$ 45,416,072</u>	<u>\$ 46,066,284</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 424,849	\$ 457,934
Deferred revenue	108,015	92,392
	<u>532,864</u>	<u>550,326</u>
Net assets		
Invested in tangible capital assets	5,371,042	5,495,734
Restricted for specified purposes (note 8)	13,919,110	17,512,273
Restricted for endowment purposes (note 9)	20,519,960	17,226,217
Unrestricted	5,073,096	5,281,734
	<u>44,883,208</u>	<u>45,515,958</u>
	<u>\$ 45,416,072</u>	<u>\$ 46,066,284</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

KELOWNA GENERAL HOSPITAL FOUNDATION

Statement of Operations and Changes in Net Assets

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

	Invested in tangible capital assets	Restricted for		Unrestricted	2021	2020
		Specified purposes (note 8)	Endowment purposes (note 9)			
Revenue:						
Donations	\$ -	\$ 5,764,880	\$ 569,628	\$ 1,087,007	\$ 7,421,515	\$ 10,029,271
Fundraising and other	-	927,676	-	45,378	973,054	981,623
Business enterprises, net (note 10)	(15,969)	-	-	509,230	493,261	1,193,260
JoeAnna's House (note 11)	-	-	-	90,172	90,172	40,450
	(15,969)	6,692,556	569,628	1,731,787	8,978,002	12,244,604
Investment income (loss)	-	-	3,794,197	138,110	3,932,307	(905,992)
	(15,969)	6,692,556	4,363,825	1,869,897	12,910,309	11,338,612
Donation disbursements	-	9,746,913	764,367	75,920	10,587,200	3,397,824
Expenses:						
Amortization	38,623	-	-	-	38,623	23,426
Campaign and events	-	142,846	-	194,937	337,783	423,024
JoeAnna's House (note 11)	245,244	-	-	388,057	633,301	395,998
Administrative	-	-	119,961	230,614	350,575	401,224
Salaries and benefits	-	-	-	1,901,422	1,901,422	1,710,768
Administrative recovery	-	714,444	185,754	(900,198)	-	-
	283,867	857,290	305,715	1,814,832	3,261,704	2,954,440
	(299,836)	(3,911,647)	3,293,743	(20,855)	(938,595)	4,986,348
Canada Emergency Wage Subsidy (note 3)	-	-	-	305,845	305,845	-
Excess (deficiency) of revenue over expenses	(299,836)	(3,911,647)	3,293,743	284,990	(632,750)	4,986,348
Net assets, beginning of year	5,495,734	17,512,273	17,226,217	5,281,734	45,515,958	40,529,610
Net investment in tangible capital assets	175,144	(9,640)	-	(165,504)	-	-
Transfers	-	328,124	-	(328,124)	-	-
Net assets, end of year	\$ 5,371,042	\$ 13,919,110	\$ 20,519,960	\$ 5,073,096	\$ 44,883,208	\$ 45,515,958

See accompanying notes to financial statements.

KELOWNA GENERAL HOSPITAL FOUNDATION

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operating activities		
Cash received from donations	\$ 6,799,921	\$ 9,720,651
Cash received from business enterprises and other revenue	1,409,202	2,231,654
Cash received from Canada Emergency Wage Subsidy (note 3)	68,918	-
Cash paid for donation disbursements	(10,522,644)	(3,428,151)
Cash paid for operating expenditures	(2,869,346)	(3,221,351)
	(5,113,949)	5,302,803
Investing and financing activities		
Endowment contributions	569,628	209,915
Net increase of investments	2,931,881	(1,832,847)
Investment income received, net of fees	1,281,538	499,890
Proceeds on disposal of tangible capital assets	2,612	-
Purchase of tangible capital assets	(175,144)	(3,343,931)
	4,610,515	(4,466,973)
Increase (decrease) in cash and cash equivalents	(503,434)	835,830
Cash and restricted cash, beginning of year	1,726,181	890,351
Cash and restricted cash, end of year	\$ 1,222,747	\$ 1,726,181
Supplemental information:		
Non-cash investing and financing activities:		
Net change in cumulative unrealized gain on investments	\$ 2,536,553	\$ (1,499,669)
Gift-in-kind donations	67,589	92,546

See accompanying notes to financial statements.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2021

The Kelowna General Hospital Foundation (the "Foundation") is a charitable organization incorporated under the Societies Act (British Columbia). The Foundation is an independent public foundation committed to enhancing the delivery of health care to communities within the referral area of Kelowna General Hospital. The Foundation is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met. Donation disbursements made directly to the Interior Health Authority account for substantially all of the Foundation's donation disbursements in the year.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The Foundation applied for, and received, government assistance through the Government of Canada's Emergency Wage Subsidy program ("CEWS"). The extent to which COVID-19 impacts the Foundation's future operations will depend on numerous evolving factors including, but not limited to, the magnitude and duration of COVID-19; the extent to which it will impact worldwide macroeconomic conditions, including interest rates and market prices; and governmental and business reactions to the pandemic. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and an estimate of the financial effect on the Foundation is not practicable at this time.

1. Significant accounting policies:

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

(a) Revenue recognition:

The Foundation uses the deferral method of accounting for revenue.

- (i) Donation revenue is recorded when the funds are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges for specified equipment are reflected as donation revenue once the specific equipment has been purchased by a specified health care organization and the supporting documentation has been provided to the maker of the pledge. Donation revenue may include donor preferences for areas of care or equipment.
- (ii) Fundraising and other includes revenue from the fundraising events, commissions, raffles, and other sources.
- (iii) Gifts in kind are recognized in the financial statements when the donated product is received and at fair value when a fair value can be reasonably established by independent documentation.
- (iv) The cash surrender value of life insurance policies and changes in the cash surrender value are recorded as donation revenue for those policies in which the Foundation is the beneficiary.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

- (v) Revenue received by the business enterprises are recorded at the point of sale and upon receipt of cash.
- (vi) Investment income is recognized as revenue when it is earned and includes interest income, dividends, gains or losses on disposal of investments, and unrealized gains or losses.

(b) Inventories:

Inventories consisting of goods for sale in business enterprises, are recorded at the lower of cost and net realizable value.

(c) Tangible capital assets:

Tangible capital assets are recorded at cost, less accumulated amortization. When the Foundation's management determines that certain tangible capital assets no longer contribute to its ability to provide services, their carrying amount is written down to its net recoverable amount. Tangible capital assets are amortized using the following methods and annual rates:

Asset	Method	Rate
Building	Straight-line	25 years
Computer and equipment	Straight-line	2 - 5 years

(d) Investments:

Investments include pooled investment funds and interest-bearing investments. These investments are recorded at their fair values determined, on a settlement date basis, on the last business day of the fiscal period.

Investments include amounts held in respect of restricted net assets and amounts not held for use in day-to-day operations for the upcoming year. Accordingly, the investments have been presented as non-current assets.

(e) Payables to Interior Health Authority:

Amounts payable to the Interior Health Authority are reflected as both amounts payable to and current donation disbursements once the Foundations' Board of Directors (the "Board") has approved the donation and the related expenditure has been made by the Interior Health Authority. The amounts are included within accounts payable and accrued liabilities in the statement of financial position.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(f) Restricted donation revenue and net assets:

Donation revenue is considered restricted when the donor designates it be spent on a specific piece of equipment or project and the Board approves the designation or when the Board designates it be spent on a specific piece of equipment or project. The funds are retained as restricted net assets until the designated equipment is purchased or the designated project is completed, subject to approval by the Board.

(g) Unrestricted donation revenue and net assets:

Donation revenue is considered unrestricted when the donor does not designate it towards a specific piece of equipment or project. The funds are retained as unrestricted net assets and may be used at the discretion of the Board.

(h) Contributed services:

The Foundation receives a significant amount of services from volunteers each year and due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

The Foundation receives administrative support from Interior Health Authority without charge. In addition, the Foundation's administrative offices are located in facilities owned by Interior Health Authority. No amounts are charged for premises rent. Due to the difficulty in determining the fair values of these services and rentals, no amount has been recorded in the financial statements.

(i) Government assistance:

Government assistance related to current expenses and revenue is included in the determination of excess of revenues over expenses for the period. Government assistance is recognized when the Foundation has determined that there is reasonable assurance that the Foundation will comply with the conditions attached to them and the assistance is receivable.

(j) Financial instruments:

The Foundation measures cash and restricted cash and investments at fair value and accounts receivable, accounts payable and accrued liabilities at amortized cost. Changes in fair value of cash and restricted cash and investments are recognized in the statement of operations in the periods in which they arise.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(k) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Items subject to such estimates and assumptions include the recoverable amounts of accounts receivable and the estimated lives of tangible capital assets. Actual results could differ from those estimates

2. Cash and restricted cash:

	2021	2020
Unrestricted	\$ 206,500	\$ 1,369,198
Restricted	1,016,247	356,983
	<u>\$ 1,222,747</u>	<u>\$ 1,726,181</u>

Included in restricted cash is \$256,000 of endowment donations (2020 - \$nil) that the Board has authorized for transfer to the Foundation's pooled investment account. The transfer was completed subsequent to March 31, 2021.

3. Canada Emergency Wage Subsidy:

The Foundation applied for COVID-19 financial relief in Canada under the CEWS program. The CEWS program is a wage subsidy program launched by the Government of Canada to qualifying employers to subsidize payroll costs during the COVID-19 pandemic. The qualified subsidy amounts received under the CEWS program are non-repayable. During the year ended March 31, 2021, the Foundation applied for \$305,845 in subsidies. As at March 31, 2021, \$68,918 has been received.

4. Cash surrender value of life insurance policies:

The Foundation has been named the beneficiary of three (2020 - three) life insurance policies with a total face value of \$479,857 (2020 - \$461,369). The annual premiums are treated as donation revenue from the insured parties. Life insurance policies have been gifted to the Foundation for planned future endowments or specified purposes. Accordingly, the cash surrender value of life insurance policies has been included in net assets restricted for specified purposes.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Investments:

	2021	2020
Restricted:		
Pooled investments	\$ 18,438,263	\$ 15,280,628
Interest-bearing investments	15,586,128	19,313,737
	34,024,391	34,594,365
Unrestricted:		
Interest-bearing investments	3,882,140	3,707,494
	\$ 37,906,531	\$ 38,301,859

Interest-bearing investments consists of term deposits, guaranteed investment certificates and other money market instruments with a weighted average interest rate of 0.28% (2020 - 0.49%)

6. Tangible capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 175,468	\$ -	\$ 175,468	\$ 175,468
Building	5,394,267	547,521	4,846,746	5,053,949
Computer and equipment	775,152	426,324	348,828	266,317
	\$ 6,344,887	\$ 973,845	\$ 5,371,042	\$ 5,495,734

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are payables to Interior Health Authority of \$349,112 (2020 - \$309,664).

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

8. Net assets restricted for specified purposes:

	2021	2020
Arthritis Services	\$ 4,879	\$ 4,879
Auxiliary - Kelowna General Hospital	14,507	211,837
Blenk Family	26,026	48,170
Brookhaven Care Centre	37,422	36,870
Cancer Care	92,694	71,391
Cardiac Research	39,642	39,600
Cardiology	960,960	1,328,165
Cash surrender value of life insurance policies (note 4)	266,694	236,517
Chaplaincy	11,023	11,525
Children's Care	1,433,948	1,341,827
Cottonwoods Extended Care	233,411	230,011
COVID-19 Response	50,623	14,127
Critical Care Unit	51,415	36,761
David Lloyd Jones Community Home	2,867	2,676
Designated - TD Bank Nursing & Education	46,160	51,906
Designated Equipment	855,447	1,163,858
Dignity	977	977
Dr. K. Jack Wankling Surgical Services	88,531	21,201
Electrophysiology Services	588,652	4,489,023
Emergency Department	35,255	30,495
General Education	127,123	128,027
Hospice Palliative Care	1,429,722	1,060,863
Interior Heart & Surgical Care	-	874,225
JoeAnna's House (note 11)	2,739,292	2,257,529
Kidney Care	87,001	69,878
MS Clinic	37,433	37,433
Orthopaedic	37,877	25,051
Patient Family Centered Care	142,854	140,636
Perinatal	-	542,615
Psychiatry / Mental Health	60,974	60,762
Rehabilitation Services	1,051	800
Rutland Hospital Auxiliary	-	200
Stroke	4,302,022	2,005,456
Thoracic	88,215	38,113
Three Links Manor	5,104	11,213
Variety Cares	10,113	16,601
Youth & Family Mental Health	9,196	871,055
	\$ 13,919,110	\$ 17,512,273

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Net assets restricted for endowment purposes:

	2021	2020
Contributed principal:		
Contributed principal, beginning of year	\$ 15,024,386	\$ 14,814,471
Current year donations	569,628	209,915
Contributed principal, end of year	15,594,014	15,024,386
Undisbursed income	4,925,946	2,201,831
	<u>\$ 20,519,960</u>	<u>\$ 17,226,217</u>

10. Business enterprises:

	2021	2020
Revenue	\$ 1,177,981	\$ 2,602,013
Gain on disposal of tangible capital assets	2,612	-
	<u>1,180,593</u>	<u>2,602,013</u>
Expenses:		
Direct costs	566,955	1,274,257
Operations and administrative	104,408	119,300
Amortization	15,969	15,196
	<u>(687,332)</u>	<u>(1,408,753)</u>
	<u>\$ 493,261</u>	<u>\$ 1,193,260</u>

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

11. JoeAnna's House operations:

	2021	2020
Revenue	\$ 90,172	\$ 40,450
Expenses:		
Salaries and benefits	335,210	152,305
Operations and administrative	52,847	163,149
Amortization	245,244	80,544
	633,301	395,998
	(543,129)	(355,548)
Invested in tangible capital assets - amortization	245,244	80,544
Canada Emergency Wage Subsidy (note 3)	50,987	-
Transfer from restricted for specified purposes	246,898	275,004
	\$ -	\$ -

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

12. Financial risks and concentration of risk:

The Foundation invests its funds according to an investment policy approved by the Board. The Foundation manages credit, liquidity and market risk associated with its financial instruments by investing in a diversified portfolio managed by an investment firm approved by the Board of Directors. The Foundation's investment policy outlines the objectives, policies and processes relating to investment activities and applies to all investments of the Foundation.

The Board of Directors has overall responsibility for the establishment and oversight of the Foundation's risk management framework, including risks related to financial management of assets.

The Foundation has exposure to the following risks from its use of financial instruments:

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Foundation. The maximum credit risk exposure for the Foundation's financial assets is the carrying value of the assets. There has been no change to the Foundation's credit risk in 2021.

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they come due. The majority of the Foundation's assets are investments traded in active markets that can be readily liquidated. In addition, the Foundation aims to retain a sufficient cash position to manage liquidity in order to meet its obligations on a timely basis. There has been no change to the Foundation's liquidity risk in 2021.

(c) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in interest rates and equity prices, will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while attempting to maximize the potential return.

(i) Interest rate risk:

Interest rate risk relates to the risk that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the Foundation. The Foundation is invested in several fixed income pooled investment funds and attempts to manage this risk by maintaining a mix of investments across a variety of asset classes. There has been no significant change in the interest rate risk in 2021.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

12. Financial risks and concentration of risk: (continued):

(ii) Equity price risk:

Equity price risk is the risk that the fair value of equity financial instruments will fluctuate due to changes in market prices. The Foundation is exposed to equity price risk on its indirect investments in preferred and common stock. The objective of the Foundation's investment policy is to manage equity price risk by maintaining a portfolio which is diversified across geographic and industry sectors. There has been no significant change in the price risk in 2021.

(iii) Currency risk:

Investments in foreign securities are exposed to currency risk due to fluctuations in foreign exchange rates. The Foundation is exposed to currency risk on its foreign investments, as the prices denominated in foreign currencies are converted to Canadian dollars in determining fair value. The objective of the Foundation's investment policy is to control currency risk by maintaining a geographically diversified portfolio. There has been no significant change in the currency risk in 2021.

13. Remuneration paid to directors, employees and contractors:

In accordance with the Societies Act (British Columbia) Section 36.1 and Societies Regulation 9.2(b):

The Directors of the Foundation receive no remuneration for the performance of their responsibilities as Directors.

For fiscal year ending March 31, 2021, the Foundation paid total remuneration of \$1,213,284 (2020 - \$898,124) to eleven (2020 - eight) employees for services, each of whom received total annual remuneration of \$75,000 or greater. Remuneration includes wages and taxable benefits.