

Financial Statements of

**KELOWNA GENERAL HOSPITAL
FOUNDATION**

Year ended March 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Directors of the Kelowna General Hospital Foundation

We have audited the accompanying financial statements of Kelowna General Hospital Foundation (the "Foundation") which comprise the statement of financial position as at March 31, 2016, the statements of operations and changes in net assets and cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Foundation's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations, the completeness and allocation of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenue over expenses, current assets and net assets.



Qualified Opinion

In our opinion, except for the possible effects on the financial statements of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Kelowna General Hospital Foundation as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink, appearing to read 'KPMG LLP'.

Chartered Professional Accountants

June 21, 2016
Kelowna, Canada

KELOWNA GENERAL HOSPITAL FOUNDATION

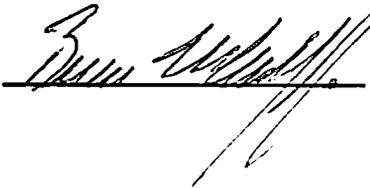
Statement of Financial Position

As at March 31, 2016, with comparative figures for 2015

	2016	2015
Assets		
Current assets:		
Cash and restricted cash (note 2)	\$ 594,758	\$ 339,795
Accounts receivable	120,054	213,426
Inventories	51,971	43,967
Prepaid expenses and deposits	13,447	13,340
	<u>780,230</u>	<u>610,528</u>
Investments (note 2)	25,782,234	25,454,888
Cash surrender value of life insurance policies (note 3)	160,711	139,511
Tangible capital assets (note 4)	548,102	625,481
	<u>\$ 27,271,277</u>	<u>\$ 26,830,408</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 161,812	\$ 185,971
Pledges payable - Interior Health Authority	382,865	-
Deferred revenue	152,392	163,282
	<u>697,069</u>	<u>349,253</u>
Net assets:		
Invested in tangible capital assets	548,102	625,481
Restricted for specified purposes (note 5)	9,424,687	9,029,719
Restricted for endowment purposes (note 6)	11,820,343	11,719,984
Unrestricted	4,781,076	5,105,971
	<u>26,574,208</u>	<u>26,481,155</u>
	<u>\$ 27,271,277</u>	<u>\$ 26,830,408</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

KELOWNA GENERAL HOSPITAL FOUNDATION

Statements of Operations and Changes in Net Assets

Year ended March 31, 2016, with comparative figures for 2015

	Invested in tangible capital assets	Restricted for		Unrestricted	2016	2015
		Specified purposes (note 5)	Endowment purposes (note 6)			
Revenue:						
Donations	\$ -	\$ 4,051,754	\$ 146,426	\$ 829,849	\$ 5,028,029	\$ 8,346,502
Fundraising and other	-	347,281	-	17,365	364,646	651,043
Auxiliary operations, net	(59,561)	-	-	1,080,072	1,020,511	891,805
	(59,561)	4,399,035	146,426	1,927,286	6,413,186	9,889,350
Investment	-	-	(213,373)	151,012	(62,361)	1,292,554
	(59,561)	4,399,035	(66,947)	2,078,298	6,350,825	11,181,904
Donation disbursements	-	4,157,548	166,341	1,575	4,325,464	2,296,783
Expenses:						
Amortization	36,407	-	-	-	36,407	33,669
Campaign and events	-	315,965	-	137,415	453,380	593,136
Administrative	-	-	58,717	234,495	293,212	265,896
Salaries and benefits	-	-	-	1,149,309	1,149,309	975,103
Administrative recovery	-	413,543	107,636	(521,179)	-	-
	36,407	729,508	166,353	1,000,040	1,932,308	1,867,804
Excess of revenue over expenses	(95,968)	(488,021)	(399,641)	1,076,683	93,053	7,017,317
Net assets, beginning of year	625,481	9,029,719	11,719,984	5,105,971	26,481,155	19,463,838
Net investment in tangible capital assets	18,589	-	-	(18,589)	-	-
Transfers from unrestricted to restricted net assets	-	882,989	500,000	(1,382,989)	-	-
Net assets, end of year	\$ 548,102	\$ 9,424,687	\$ 11,820,343	\$ 4,781,076	\$ 26,574,208	\$ 26,481,155

See accompanying notes to financial statements.

KELOWNA GENERAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Cash received from donations	\$ 4,881,603	\$ 7,528,794
Cash received from auxiliaries and other revenue	1,506,000	1,778,350
Cash paid for donation disbursements	(3,942,599)	(2,326,537)
Cash paid for operating expenditures	(1,869,454)	(1,716,976)
	575,550	5,263,631
Investing and financing activities:		
Endowment contributions	146,426	775,885
Purchase of tangible capital assets	(18,588)	(61,920)
Proceeds on disposal of tangible capital assets	-	3,659
Net purchase of investments	(1,666,909)	(6,820,718)
Investment income received, net of fees	1,218,484	744,604
	(320,587)	(5,358,490)
Increase (decrease) in cash	254,963	(94,859)
Cash, beginning of year	339,795	434,654
Cash, end of year	\$ 594,758	\$ 339,795
Supplemental information:		
Non-cash investing and financing activities:		
Net change in cumulative unrealized gain (loss) on investments	\$(1,339,562)	\$ 500,822

See accompanying notes to financial statements.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2016

The Kelowna General Hospital Foundation (the "Foundation") is a charitable organization incorporated under the Society Act (British Columbia). The Foundation is an independent, volunteer-driven charitable organization committed to enhancing the delivery of health care to the patients of Kelowna General Hospital and its associated facilities. 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 accounted for substantially all of the Foundation's donation disbursements in the year.

1. Significant accounting policies:

(a) Revenue recognition:

The Foundation uses the deferral method of accounting for revenue.

Donation revenue is recorded when the funds are received. 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. Fundraising and other includes revenue from the BC Gaming Raffle License-Payroll Deduction (50/50 staff lottery), ATM commissions and fundraising events.

Gifts in kind are reflected at fair value as supported by independent documentation. Gifts in kind are recorded when the donated product is received.

Donations of life insurance policies with a cash surrender value are recorded as donation revenue in the period the Foundation receives the policy.

Revenue received by the auxiliary operations are recorded at the point of sale and upon the receipt of cash.

(b) Cash and cash equivalents:

Cash and restricted cash includes cash, guaranteed investment certificates and term deposits readily convertible into cash.

(c) Inventories:

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

(d) 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. Amortization is provided on a straight-line basis at the following annual rates:

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

	Rate
Building	4%
Computer and equipment	10% - 50%

(e) 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.

(f) Pledges payable - Interior Health Authority:

Pledges to the Interior Health Authority are reflected as both pledges payable 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.

(g) 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.

(h) 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.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(i) 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. Actual results could differ from those estimates.

(j) 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.

(k) Financial instruments:

The Foundation measures cash and investments at fair value and accounts receivable and accounts payable and accrued liabilities and pledges payable at amortized cost. Changes in fair value of 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, 2016

2. Cash and investments:

	2016	2015
Cash:		
Restricted	\$ 100,963	\$ 38,465
Unrestricted	493,795	301,330
	<u>594,758</u>	<u>339,795</u>
Investments:		
Restricted		
Pooled investment funds	11,072,227	11,158,566
Interest bearing investments	10,547,349	9,614,908
	<u>21,619,576</u>	<u>20,773,474</u>
Unrestricted		
Interest bearing investments	4,162,658	4,681,414
	<u>25,782,234</u>	<u>25,454,888</u>
	<u>\$ 26,376,992</u>	<u>\$ 25,794,683</u>

Interest bearing investments consists of term deposits, guaranteed investment certificates and other money market instruments with a weighted average interest rate of 0.95% (2015 - 1.32%)

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.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

3. Cash surrender value of life insurance policies:

The Foundation has been named the beneficiary of four (2015 - four) life insurance policies with a total face value of \$480,721 (2015 - \$480,721). Donations revenue includes policy premiums paid, on behalf of the Foundation, by the respective donors. 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.

4. Tangible capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 175,468	\$ -	\$ 175,468	\$ 175,468
Building	433,290	193,744	239,546	256,877
Computer and equipment	441,930	308,842	133,088	193,136
	\$ 1,050,688	\$ 502,586	\$ 548,102	\$ 625,481

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Net assets restricted for specified purposes:

Net assets restricted for specified purposes consists of the following funds:

	2016	2015
Arthritis Services	\$ 4,454	\$ 4,412
Auxiliary - Kelowna General Hospital	295,498	76,918
Brookhaven Care Centre	59,623	54,244
Cancer Care	25,463	11,107
Cardiology	452,892	296,144
Chaplaincy	118,532	57,387
Children's Care	749,090	203,826
Cottonwoods Extended Care General	300,082	279,192
Critical Care Unit	21,395	15,254
David Lloyd Jones Community Home	4,838	39,066
Designated - TD Bank Nursing & Education	65,389	65,389
Designated Equipment	230,532	258,377
Dignity Restricted Fund	-	92,500
Emergency Department	58,702	57,776
Cash surrender value of life insurance (note 3)	160,711	139,511
General Education	141,129	135,179
Hospice Palliative Care	627,722	407,851
Interior Heart & Surgical Centre	5,103,655	6,156,452
Kelowna General Hospital Expansion	131,855	148,191
Kidney Care	60,072	58,945
MS Clinic	36,308	36,308
Orthopaedic	12,897	13,759
Perinatal	617,223	320,750
Patient Family Centered Care-Restricted Fund	40,896	-
Psychiatry/Mental Health	48,743	49,817
Rutland Hospital Auxiliary	200	200
Rehabilitation Services	5,461	3,145
Thoracic	38,425	24,800
Three Links Manor	12,807	23,219
Dr. K. Jack Wankling Surgical Services Fund	93	-
	\$ 9,424,687	\$ 9,029,719

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Net assets restricted for endowment purposes:

	2016	2015
Endowment net assets:		
Contributed principal, beginning of year	\$ 9,088,856	\$ 7,812,971
Current year donations	146,426	775,885
Transfer from unrestricted	500,000	500,000
Contributed principal, end of year	9,735,282	9,088,856
Undisbursed income	2,085,061	2,631,128
	<u>\$ 11,820,343</u>	<u>\$ 11,719,984</u>

7. Financial risk:

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

- Credit risk
- Market risk

The Foundation adheres to an Investment Policy, which is approved by the Board of Directors, that outlines the objectives, policies and processes related to its investing activities. This policy prescribes limits around the quality and concentration of investments held by the Foundation. The Board of Directors has overall responsibility for the establishment and oversight of the Foundation's risk management framework.

(a) Credit risk:

Credit risk is the risk of financial loss to the Foundation if a counterparty to a financial instrument fails to meet its contractual obligations. The Foundation's investments in short-term and long-term investments and bonds and debentures are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

7. Financial risk (continued):

(b) 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 objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the return.

(i) Currency risk:

Investments in foreign securities are exposed to currency risk due to fluctuations in foreign exchange rates. The Foundation is exposed to currency risk on its 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.

(ii) Interest rate risk:

Interest rate risk relates to the risk that changes in interest rates will affect the fair value of future cash flows of financial instruments held by the Foundation. The Foundation is invested in a number short-term interest bearing investments, as well as pooled bond funds, and, accordingly, is subject to interest rate risk in relation to these investments.

(b) Market risk (continued):

(iii) Other price risk:

The Foundation invests its various funds according to an Investment Policy Statement approved by the Board of Directors. The Investment Policy Statement applies to all investments held by the Foundation and it includes restrictions regarding the minimum and maximum amount of Canadian equities, global equities, fixed income and short-term investments. The diversification across various asset classes is designed to decrease the volatility of portfolio returns.