

Financial Statements of

**KELOWNA GENERAL HOSPITAL
FOUNDATION**

Year ended March 31, 2017



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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, 2017, 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.

Report on Other Legal and Regulatory Requirements

As required by Section 117(1)(b) of the Societies Act (British Columbia), we are required to state whether these consolidated financial statements are prepared on a basis consistent with the basis on which the financial statements that related to the preceding period were prepared. We report that, in our opinion, the significant accounting policies applied in preparing these consolidated financial statements have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP'.

Chartered Professional Accountants

June 20, 2017
Kelowna, Canada

KELOWNA GENERAL HOSPITAL FOUNDATION

Statement of Financial Position

As at March 31, 2017, with comparative figures for 2016

	2017	2016
Assets		
Current assets:		
Cash and restricted cash (note 2)	\$ 653,697	\$ 594,758
Accounts receivable	214,400	120,054
Inventories	58,554	51,971
Prepaid expenses and deposits	22,575	13,447
	<u>949,226</u>	<u>780,230</u>
Investments (note 2)	26,833,512	25,782,234
Cash surrender value of life insurance policies (note 3)	190,375	160,711
Tangible capital assets (note 4)	491,016	548,102
	<u>\$ 28,464,129</u>	<u>\$ 27,271,277</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued liabilities	\$ 210,627	\$ 161,812
Pledges payable - Interior Health Authority	125,958	382,865
Deferred revenue	97,538	152,392
	<u>434,123</u>	<u>697,069</u>
Net assets:		
Invested in tangible capital assets	491,016	548,102
Restricted for specified purposes (note 5)	9,395,482	9,424,687
Restricted for endowment purposes (note 6)	12,917,780	11,820,343
Unrestricted	5,225,728	4,781,076
	<u>28,030,006</u>	<u>26,574,208</u>
	<u>\$ 28,464,129</u>	<u>\$ 27,271,277</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, 2017, with comparative figures for 2016

	Invested in tangible capital assets	Restricted for		Unrestricted	2017	2016
		Specified purposes (note 5)	Endowment purposes (note 6)			
Revenue:						
Donations	\$ -	\$ 3,406,280	\$ 120,662	\$ 1,075,956	\$ 4,602,898	\$ 5,028,029
Fundraising and other	-	543,828	-	207,748	751,576	364,647
Auxiliary operations, net	(59,829)	-	-	1,140,018	1,080,189	1,020,511
	(59,829)	3,950,108	120,662	2,423,722	6,434,663	6,413,187
Investment	-	-	1,410,262	123,787	1,534,049	(62,361)
	(59,829)	3,950,108	1,530,924	2,547,509	7,968,712	6,350,826
Donation disbursements	-	4,022,094	256,470	2,088	4,280,652	4,325,464
Expenses:						
Amortization	27,830	-	-	-	27,830	36,407
Campaign and events	-	468,797	-	210,415	679,212	453,380
Administrative	-	-	61,236	223,854	285,090	293,212
Salaries and benefits	-	-	-	1,240,130	1,240,130	1,149,309
Administrative recovery	-	417,198	115,781	(532,979)	-	-
	27,830	885,995	177,017	1,141,420	2,232,262	1,932,308
Excess of revenue over expenses	(87,659)	(957,981)	1,097,437	1,404,001	1,455,798	93,053
Net assets, beginning of year	548,102	9,424,687	11,820,343	4,781,076	26,574,208	26,481,155
Net investment in tangible capital assets	30,573	-	-	(30,573)	-	-
Transfers from unrestricted to restricted net assets	-	928,776	-	(928,776)	-	-
Net assets, end of year	\$ 491,016	\$ 9,395,482	\$ 12,917,780	\$ 5,225,728	\$ 28,030,006	\$ 26,574,208

See accompanying notes to financial statements.

KELOWNA GENERAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Cash received from donations	\$ 4,482,236	\$ 4,881,603
Cash received from auxiliaries and other revenue	1,712,730	1,506,000
Cash paid for donation disbursements	(4,537,559)	(3,942,599)
Cash paid for operating expenditures	(2,110,093)	(1,869,454)
	(452,686)	575,550
Investing and financing activities:		
Endowment contributions	120,662	146,426
Purchase of tangible capital assets	(30,573)	(18,588)
Net purchase of investments	(12,434)	(1,666,909)
Investment income received, net of fees	433,970	1,218,484
	511,625	(320,587)
Increase (decrease) in cash	58,939	254,963
Cash, beginning of year	594,758	339,795
Cash, end of year	\$ 653,697	\$ 594,758
Supplemental information:		
Non-cash investing and financing activities:		
Net change in cumulative unrealized gain (loss) on investments	\$ 1,038,843	\$ (1,339,562)

See accompanying notes to financial statements.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

The Kelowna General Hospital Foundation (the "Foundation") is a charitable organization incorporated under the Societies 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:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(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.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(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:

	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, 2017

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, 2017

2. Cash and investments:

	2017	2016
Cash:		
Restricted	\$ 145,884	\$ 100,963
Unrestricted	507,813	493,795
	<u>653,697</u>	<u>594,758</u>
Investments:		
Restricted		
Pooled investment funds	12,030,691	11,072,227
Interest bearing investments	10,315,693	10,547,349
	<u>22,346,384</u>	<u>21,619,576</u>
Unrestricted		
Interest bearing investments	4,487,128	4,162,658
	<u>26,833,512</u>	<u>25,782,234</u>
	<u>\$ 27,487,209</u>	<u>\$ 26,376,992</u>

Interest bearing investments consists of term deposits, guaranteed investment certificates and other money market instruments with a weighted average interest rate of 0.74% (2016 - 0.95%)

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, 2017

3. Cash surrender value of life insurance policies:

The Foundation has been named the beneficiary of four (2016 - four) life insurance policies with a total face value of \$480,721 (2016 - \$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:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 175,468	\$ -	\$ 175,468	\$ 175,468
Building	436,949	211,185	225,764	239,546
Computer and equipment	467,505	377,721	89,784	133,088
	\$ 1,079,922	\$ 588,906	\$ 491,016	\$ 548,102

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

5. Net assets restricted for specified purposes:

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

	2017	2016
Arthritis Services	\$ 4,879	\$ 4,454
Auxiliary - Kelowna General Hospital	416,297	295,498
Brookhaven Care Centre	72,484	59,623
Cancer Care	40,472	25,463
Cardiology	1,210,113	452,892
Chaplaincy	-	118,532
Children's Care	821,276	749,090
Cottonwoods Extended Care General	316,729	300,082
Critical Care Unit	23,701	21,395
David Lloyd Jones Community Home	466	4,838
Designated - TD Bank Nursing & Education	65,389	65,389
Designated Equipment	431,971	230,532
Dignity Restricted Fund	850	-
Emergency Department	60,869	58,702
Cash surrender value of life insurance (note 3)	190,737	160,711
General Education	138,912	141,129
Hospice Palliative Care	661,817	627,722
Interior Heart & Surgical Centre	2,703,622	5,103,655
Kelowna General Hospital Expansion	226,402	131,855
Kidney Care	63,221	60,072
MS Clinic	40,685	36,308
Orthopaedic	15,663	12,897
Perinatal	1,193,405	617,223
Patient Family Centered Care-Restricted Fund	83,089	40,896
Psychiatry/Mental Health	52,975	48,743
Rutland Hospital Auxiliary	200	200
Rehabilitation Services	5,566	5,461
Short Term Accommodation	2,952	-
Thoracic	26,626	38,425
Three Links Manor	12,807	12,807
Variety Cares Restricted Fund	4,517	-
Dr. K. Jack Wankling Surgical Services Fund	4,568	93
Youth & Family Mental Health	502,222	-
	\$ 9,395,482	\$ 9,424,687

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

6. Net assets restricted for endowment purposes:

	2017	2016
Endowment net assets:		
Contributed principal, beginning of year	\$ 9,735,282	\$ 9,088,856
Current year donations	120,662	146,426
Transfer from unrestricted	-	500,000
Contributed principal, end of year	9,855,944	9,735,282
Undisbursed income	3,061,836	2,085,061
	<u>\$ 12,917,780</u>	<u>\$ 11,820,343</u>

7. Financial risk:

(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, 2017

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.

(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.

8. Related party transactions:

From time to time, the Foundation carries out business transactions with suppliers of professional services whose partner is also a director of the Foundation. These 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 and which in management's opinion, is comparable to amounts that would have been paid to non-related parties. During the year the transactions are for legal services in the amount of \$1,955 (2016 - \$505).

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

9. 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, 2017, the Foundation paid total remuneration of \$630,275 to six employees for services, each of whom received total annual remuneration of \$75,000 or greater. Remuneration includes wages and taxable benefits.