

Financial Statements of

**KELOWNA GENERAL HOSPITAL
FOUNDATION**

Year ended March 31, 2019



KPMG LLP
200 - 3200 Richter Street
Kelowna BC V1W 5K9
Canada
Tel (250) 979-7150
Fax (250) 763-0044

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Kelowna General Hospital Foundation

Opinion

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

- the statement of financial position as at March 31, 2019
- the statement of revenue, expenses and fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the non-consolidated financial position of the Foundation as at March 31, 2019, and its results of non-consolidated operations and its cash flows for the year then ended in accordance with Canadian Accounting standards for not-for-profit organizations.

Basis for Opinion

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

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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 Entity 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 applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

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

Chartered Professional Accountants

Kelowna, Canada
June 25, 2019

KELOWNA GENERAL HOSPITAL FOUNDATION

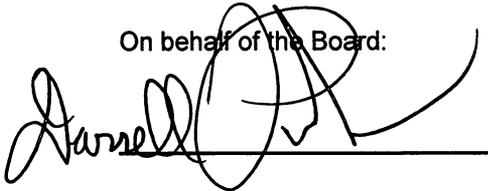
Statement of Financial Position

As at March 31, 2019, with comparative figures for 2018

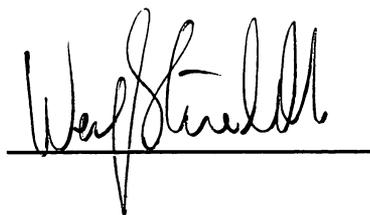
	2019	2018
Assets		
Current assets:		
Cash and restricted cash (note 2)	\$ 890,351	\$ 806,572
Accounts receivable	258,405	104,323
Inventories	47,741	60,762
Prepaid expenses and deposits	19,574	20,545
	<u>1,216,071</u>	<u>992,202</u>
Investments (note 2)	37,978,681	33,749,267
Cash surrender value of life insurance policies (note 3)	236,336	213,398
Tangible capital assets (note 4)	2,270,968	484,573
	<u>\$ 41,702,056</u>	<u>\$ 35,439,440</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 951,022	\$ 206,246
Pledges payable - Interior Health Authority	122,873	200,929
Deferred revenue	98,551	100,370
	<u>1,172,446</u>	<u>507,545</u>
Net assets:		
Invested in tangible capital assets	2,270,968	484,573
Restricted for specified purposes (note 5)	14,719,731	11,839,985
Restricted for endowment purposes (note 6)	18,757,110	18,139,732
Unrestricted	4,781,801	4,467,605
	<u>40,529,610</u>	<u>34,931,895</u>
	<u>\$ 41,702,056</u>	<u>\$ 35,439,440</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, 2019, with comparative figures for 2018

	Invested in tangible capital assets	Restricted for		Unrestricted	2019	2018
		Specified purposes (note 5)	Endowment purposes (note 6)			
Revenue:						
Donations	\$ -	\$ 7,347,174	\$ 208,738	\$ 697,173	\$ 8,253,085	\$ 9,570,234
Fundraising and other Business enterprises, net (note 7)	- (19,868)	735,737 -	- -	123,009 1,251,289	858,746 1,231,421	552,404 1,130,630
	(19,868)	8,082,911	208,738	2,071,471	10,343,252	11,253,268
Investment	-	-	749,358	305,956	1,055,314	1,084,325
	(19,868)	8,082,911	958,096	2,377,427	11,398,566	12,337,593
Donation disbursements	-	2,999,281	119,499	25,882	3,144,662	3,274,647
Expenses:						
Amortization	23,171	-	-	-	23,171	25,679
Campaign and events	-	510,513	-	113,864	624,377	311,942
Administrative	-	-	92,125	318,507	410,632	344,238
Salaries and benefits	-	-	-	1,598,009	1,598,009	1,479,198
Administrative recovery	-	785,368	129,094	(914,462)	-	-
	23,171	1,295,881	221,219	1,115,918	2,656,189	2,161,057
Excess of revenue over expenses	(43,039)	3,787,749	617,378	1,235,627	5,597,715	6,901,889
Net assets, beginning of year	484,573	11,839,985	18,139,732	4,467,605	34,931,895	28,030,006
Net investment in tangible capital assets	1,829,434	(1,799,425)	-	(30,009)	-	-
Transfers from unrestricted to restricted net assets	-	891,422	-	(891,422)	-	-
Net assets, end of year	\$ 2,270,968	\$ 14,719,731	\$ 18,757,110	\$ 4,781,801	\$ 40,529,610	\$ 34,931,895

See accompanying notes to financial statements.

KELOWNA GENERAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Cash received from donations	\$ 8,042,528	\$ 5,320,446
Cash received from business enterprises and other revenue	1,933,079	1,803,972
Cash paid for donation disbursements	(3,222,718)	(3,199,677)
Cash paid for operating expenditures	(1,782,189)	(2,068,275)
	4,970,700	1,856,466
Investing and financing activities:		
Endowment contributions	208,738	4,249,789
Net purchase of tangible capital assets	(1,829,434)	(49,626)
Net increase of investments	(5,125,169)	(6,747,173)
Investment income received, net of fees	1,858,944	843,419
	(4,886,921)	(1,703,591)
Increase in cash	83,779	152,875
Cash, beginning of year	806,572	653,697
Cash, end of year	\$ 890,351	\$ 806,572
Supplemental information:		
Non-cash investing and financing activities:		
Net change in cumulative unrealized gain on investments	\$ (895,755)	\$ 168,581

See accompanying notes to financial statements.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

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 account 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 business enterprises 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 business enterprises, are recorded at the lower of cost and net realizable value.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

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, once the asset is available for use:

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

Construction in progress represents capital projects that are not yet completed and are recorded at cost.

(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, 2019

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, 2019

2. Cash and investments:

	2019	2018
Cash:		
Restricted	\$ 385,615	\$ 322,387
Unrestricted	504,737	484,185
	<u>890,351</u>	<u>806,572</u>
Investments:		
Restricted		
Pooled investment funds	17,364,502	17,089,433
Interest bearing investments	16,097,427	12,978,189
	<u>33,461,929</u>	<u>30,067,622</u>
Unrestricted		
Interest bearing investments	4,516,752	3,681,645
	<u>37,978,681</u>	<u>33,749,267</u>
	<u>\$ 38,869,032</u>	<u>\$ 34,555,839</u>

Interest bearing investments consists of term deposits, guaranteed investment certificates and other money market instruments with a weighted average interest rate of 1.88% (2018 - 1.38%)

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, 2019

3. Cash surrender value of life insurance policies:

The Foundation has been named the beneficiary of four (2018 - four) life insurance policies with a total face value of \$540,702 (2018 - \$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:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 175,468	\$ -	\$ 175,468	\$ 175,468
Building	452,019	247,347	204,672	222,752
Computer and equipment	477,195	410,743	66,452	61,402
Construction in progress	1,824,376	-	1,824,376	24,951
	\$ 2,929,058	\$ 658,090	\$ 2,270,968	\$ 484,573

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

5. Net assets restricted for specified purposes:

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

	2019	2018
Arthritis Services	\$ 4,879	\$ 4,879
Auxiliary - Kelowna General Hospital	210,862	13,832
Blenk Family	43,365	29,750
Brookhaven Care Centre	38,778	71,696
Cancer Care	55,347	49,990
Cardiac Research	39,600	42,500
Cardiology	1,326,349	1,369,769
Chaplaincy	3,641	10,150
Children's Care	1,142,023	874,505
Cottonwoods Extended Care General	277,979	298,361
Critical Care Unit	37,185	31,695
David Lloyd Jones Community Home	2,506	2,506
Designated - TD Bank Nursing & Education	60,036	62,790
Designated Equipment	610,721	759,115
Dignity Restricted Fund	892	892
Dr. K. Jack Wankling Surgical Services Fund	17,895	10,764
Electrophysiology Services	2,319,828	940,294
Emergency Department	30,368	71,159
General Education	129,929	132,188
Hospice Palliative Care	1,027,567	711,787
Interior Heart & Surgical Centre	1,034,639	1,771,027
Kelowna General Hospital Expansion	-	213,111
Kidney Care	123,295	101,852
MS Clinic	37,433	40,698
Orthopaedic	25,565	16,215
Patient Family Centered Care	103,496	112,349
Perinatal	671,884	854,093
Psychiatry/Mental Health	56,752	55,240
Rehabilitation Services	8,447	6,412
Rutland Hospital Auxiliary	200	200
Short Term Accommodation	4,143,623	1,873,101
Thoracic	38,901	26,802
Three Links Manor	10,151	12,977
Variety Cares Restricted Fund	3,804	-
Cash surrender value of life insurance (note 3)	236,336	213,398
Youth & Family Mental Health	845,455	1,053,888
	\$ 14,719,731	\$ 11,839,985

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

6. Net assets restricted for endowment purposes:

	2019	2018
Endowment net assets:		
Contributed principal, beginning of year	\$ 14,605,733	\$ 9,855,944
Current year donations	208,738	4,249,789
Transfer from unrestricted	-	500,000
Contributed principal, end of year	14,814,471	14,605,733
Undisbursed income	3,942,639	3,533,999
	\$ 18,757,110	\$ 18,139,732

7. Business enterprises:

	2019	2018
Revenue	\$ 2,649,658	\$ 2,517,973
Expenses:		
Direct costs	1,288,310	1,241,497
Amortization net of gain on disposal	19,868	31,052
Operations and administrative	110,059	114,794
	\$ 1,231,421	\$ 1,130,630

8. 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, 2019

8. 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.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

9. Related party transactions:

	2019	2018
An advertising company owned by a director. Print advertising costs included in campaign and events.	\$ 9,298	\$ 1,522
A professional services firm whose partner is a director. Legal service fees included in administrative expenses.	26,702	31,931
	<u>\$ 36,000</u>	<u>\$ 33,453</u>

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.

10. 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, 2019, the Foundation paid total remuneration of \$943,918 to nine employees for services, each of whom received total annual remuneration of \$75,000 or greater. Remuneration includes wages and taxable benefits.