

Financial Statements of

**KELOWNA GENERAL HOSPITAL
FOUNDATION**

And Independent Auditor's Report thereon
Year ended March 31, 2020



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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, 2020
- the statements 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 Foundation as at March 31, 2020, 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 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 that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Kelowna, Canada
June 23, 2020

KELOWNA GENERAL HOSPITAL FOUNDATION

Statement of Financial Position

As at March 31, 2020, with comparative figures for 2019

	2020	2019
Assets		
Current assets:		
Cash and restricted cash (note 2)	\$ 1,726,181	\$ 890,351
Accounts receivable	257,098	258,405
Inventories	31,266	47,741
Prepaid expenses and deposits	17,629	19,574
	<u>2,032,174</u>	<u>1,216,071</u>
Investments (note 2)	38,301,859	37,978,681
Cash surrender value of life insurance policies (note 3)	236,517	236,336
Tangible capital assets (note 4)	5,495,734	2,270,968
	<u>\$ 46,066,284</u>	<u>\$ 41,702,056</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued liabilities	\$ 148,270	\$ 951,022
Payable to Interior Health Authority	309,664	122,873
Deferred revenue	92,392	98,551
	<u>550,326</u>	<u>1,172,446</u>
Net assets:		
Invested in tangible capital assets	5,495,734	2,270,968
Restricted for specified purposes (note 5)	17,512,273	14,719,731
Restricted for endowment purposes (note 6)	17,226,217	18,757,110
Unrestricted	5,281,734	4,781,801
	<u>45,515,958</u>	<u>40,529,610</u>
	<u>\$ 46,066,284</u>	<u>\$ 41,702,056</u>

See accompanying notes to financial statements.

On behalf of the Board:

Darrell Porubanc

Director

Wes Kiehl

Director

KELOWNA GENERAL HOSPITAL FOUNDATION

Statements of Operations and Changes in Net Assets

Year ended March 31, 2020, with comparative figures for 2019

	Invested in tangible capital assets	Restricted for		Unrestricted	2020	2019
		Specified purposes (note 5)	Endowment purposes (note 6)			
Revenue:						
Donations	\$ -	\$ 8,894,460	\$ 209,915	\$ 924,896	\$ 10,029,271	\$ 8,253,085
Fundraising and other Business enterprises, net (note 7)	-	800,283	-	181,340	981,623	858,746
JoeAnna's House (note 8)	(15,196)	-	-	1,208,456	1,193,260	1,231,421
	-	-	-	40,450	40,450	-
	(15,196)	9,694,743	209,915	2,355,142	12,244,604	10,343,252
Investment income (loss)	-	-	(1,287,764)	381,772	(905,992)	1,055,314
	(15,196)	9,694,743	(1,077,849)	2,736,914	11,338,612	11,398,566
Donation disbursements	-	2,981,021	199,768	217,035	3,397,824	3,144,662
Expenses:						
Amortization	23,426	-	-	-	23,426	23,171
Campaign and events	-	223,346	-	199,678	423,024	624,377
JoeAnna's House (note 8)	80,544	-	-	315,454	395,998	-
Administrative	-	-	103,787	297,437	401,224	410,632
Salaries and benefits	-	-	-	1,710,768	1,710,768	1,598,009
Administrative recovery	-	948,123	175,186	(1,123,309)	-	-
	103,970	1,171,469	278,973	1,400,028	2,954,440	2,656,189
Excess (deficiency) of revenue over expenses	(119,166)	5,542,253	(1,556,590)	1,119,851	4,986,348	5,597,715
Net assets, beginning of year	2,270,968	14,719,731	18,757,110	4,781,801	40,529,610	34,931,895
Net investment in tangible capital assets	3,343,932	(3,329,799)	-	(14,133)	-	-
Fund transfers	-	580,088	25,697	(605,785)	-	-
Net assets, end of year	\$ 5,495,734	\$ 17,512,273	\$ 17,226,217	\$ 5,281,734	\$ 45,515,958	\$ 40,529,610

See accompanying notes to financial statements.

KELOWNA GENERAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Cash received from donations	\$ 9,720,651	\$ 8,042,528
Cash received from business enterprises and other revenue	2,231,654	1,933,079
Cash paid for donation disbursements	(3,428,151)	(3,222,718)
Cash paid for operating expenditures	(3,221,351)	(1,782,189)
	5,302,803	4,970,700
Investing and financing activities:		
Endowment contributions	209,915	208,738
Net purchase of tangible capital assets	(3,343,931)	(1,829,434)
Net increase of investments	(1,832,847)	(5,125,169)
Investment income received, net of fees	499,890	1,858,944
	(4,466,973)	(4,886,921)
Increase in cash and restricted cash	835,830	83,779
Cash and restricted cash, beginning of year	890,351	806,572
Cash and restricted cash, end of year	\$ 1,726,181	\$ 890,351
Supplemental information:		
Non-cash investing and financing activities:		
Net change in cumulative unrealized gain on investments	\$(1,499,669)	\$ (895,755)
Gift in kind donations	92,546	102,758

See accompanying notes to financial statements.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

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.

As a result of COVID-19, market prices of financial instruments were impacted significantly. The results of these impacts on the fair value of the investment portfolio have been recognized as an unrealized loss in the financial statements. 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 is not practicable at this time.

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.

- (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.
- (v) Revenue received by the business enterprises are recorded at the point of sale and upon receipt of cash.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(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.

(c) Inventories:

Inventories consisting of goods for sale in business enterprises, 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, once the asset is available for use:

	Rate
Building	25 years
Computer and equipment	2 - 5 years

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) Payable 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.

(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.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(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.

(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. Significant 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.

(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 restricted cash and investments at fair value and accounts receivable, accounts payable and accrued liabilities, and pledges payable 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, 2020

2. Cash and restricted cash and investments:

	2020	2019
Cash:		
Restricted	\$ 356,983	\$ 385,615
Unrestricted	1,369,198	504,736
	<u>1,726,181</u>	<u>890,351</u>
Investments:		
Restricted		
Pooled investment funds	15,280,628	17,364,502
Interest bearing investments	19,313,737	16,097,427
	<u>34,594,365</u>	<u>33,461,929</u>
Unrestricted		
Interest bearing investments	3,707,493	4,516,752
	<u>38,301,858</u>	<u>37,978,681</u>
	<u>\$ 40,028,039</u>	<u>\$ 38,869,032</u>

Interest bearing investments consists of term deposits, guaranteed investment certificates and other money market instruments with a weighted average interest rate of 0.49% (2019 - 1.88%)

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, 2020

3. Cash surrender value of life insurance policies:

The Foundation has been named the beneficiary of three (2019 - four) life insurance policies with a total face value of \$461,369 (2019 - \$540,702). 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.

4. Tangible capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 175,468	\$ -	\$ 175,468	\$ 175,468
Building	5,385,152	331,202	5,053,950	204,672
Computer and equipment	703,203	436,887	266,316	66,452
Construction in progress	-	-	-	1,824,376
	\$ 6,263,823	\$ 768,089	\$ 5,495,734	\$ 2,270,968

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

5. Net assets restricted for specified purposes:

	2020	2019
Arthritis Services	\$ 4,879	\$ 4,879
Auxiliary - Kelowna General Hospital	211,837	210,862
Blenk Family	48,170	43,365
Brookhaven Care Centre	36,870	38,778
Cancer Care	71,391	55,347
Cardiac Research	39,600	39,600
Cardiology	1,328,165	1,326,349
Chaplaincy	11,525	3,641
Children's Care	1,341,827	1,142,023
Cottonwoods Extended Care General	230,011	277,979
COVID-19 Response	14,127	-
Critical Care Unit	36,761	37,185
David Lloyd Jones Community Home	2,676	2,506
Designated - TD Bank Nursing & Education	51,906	60,036
Designated Equipment	1,163,858	610,721
Dignity Restricted Fund	977	892
Dr. K. Jack Wankling Surgical Services Fund	21,201	17,895
Electrophysiology Services	4,489,023	2,319,828
Emergency Department	30,495	30,368
General Education	128,027	129,929
Hospice Palliative Care	1,060,863	1,027,567
Interior Heart & Surgical Centre	874,225	1,034,639
Kidney Care	69,878	123,295
MS Clinic	37,433	37,433
Orthopaedic	25,051	25,565
Patient Family Centered Care	140,636	103,496
Perinatal	542,615	671,884
Psychiatry / Mental Health	60,762	56,752
Rehabilitation Services	800	8,447
Rutland Hospital Auxiliary	200	200
JoeAnna's House (note 8)	2,257,529	4,143,623
Stroke Restricted Fund	2,005,456	-
Thoracic	38,113	38,901
Three Links Manor	11,213	10,151
Variety Cares Restricted Fund	16,601	3,804
Cash surrender value of life insurance (note 3)	236,517	236,336
Youth & Family Mental Health	871,055	845,455
	\$ 17,512,273	\$ 14,719,731

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

6. Net assets restricted for endowment purposes:

	2020	2019
Contributed principal:		
Contributed principal, beginning of year	\$ 14,814,471	\$ 14,605,733
Current year donations	209,915	208,738
Contributed principal, end of year	15,024,386	14,814,471
Undisbursed income	2,201,831	3,942,639
	<u>\$ 17,226,217</u>	<u>\$ 18,757,110</u>

7. Business enterprises:

	2020	2019
Revenue	\$ 2,602,013	\$ 2,649,658
Expenses:		
Direct costs	1,274,257	1,288,310
Operations and administrative	119,300	110,059
Amortization, net of gain on disposal	15,196	19,868
	<u>1,408,753</u>	<u>1,418,237</u>
	<u>\$ 1,193,260</u>	<u>\$ 1,231,421</u>

8. JoeAnna's House operations:

	2020	2019
Revenue	\$ 40,450	\$ -
Expenses:		
Salaries and benefits	152,305	-
Operations and administrative	163,149	-
Amortization	80,544	-
	<u>395,998</u>	<u>-</u>
	<u>(355,548)</u>	<u>-</u>
Invested in tangible capital assets	80,544	-
Transfer from restricted for specified purposes	275,004	-
	<u>\$ -</u>	<u>\$ -</u>

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Related party transactions:

	2020	2019
An advertising company owned by a director. Print advertising costs included in campaign and events.	\$ 8,468	\$ 9,298
A professional services firm whose partner is a director. Legal service fees included in administrative expenses.	-	26,702
	<u>\$ 8,468</u>	<u>\$ 36,000</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.

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.

10. 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.

(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.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Financial risk (continued):

(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.

11. 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, 2020, the Foundation paid total remuneration of \$898,124 (2019 - \$943,918) to eight (2019 - nine) employees for services, each of whom received total annual remuneration of \$75,000 or greater. Remuneration includes wages and taxable benefits.