

Financial Statements of

**KELOWNA GENERAL HOSPITAL
FOUNDATION**

And Independent Auditors' Report thereon

Year ended March 31, 2022



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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, 2022
- 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, 2022 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' in a cursive, slightly slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants

Kelowna, Canada

June 28, 2022

KELOWNA GENERAL HOSPITAL FOUNDATION

Statement of Financial Position

As at March 31, 2022, with comparative information for 2021

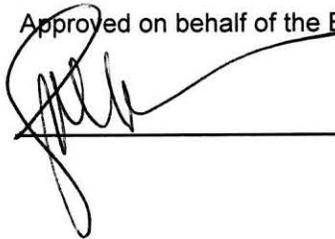
	2022	2021
Assets		
Current assets:		
Cash and restricted cash (note 2)	\$ 2,517,607	\$ 1,222,747
Accounts receivable	525,344	384,850
Canada Emergency Wage Subsidy receivable (note 3)	-	236,927
Inventories (note 4)	551,609	26,807
Prepaid expenses and deposits	40,375	474
	<u>3,634,935</u>	<u>1,871,805</u>
Cash surrender value of life insurance policies (note 5)	296,994	266,694
Investments (note 6)	43,678,805	37,906,531
Tangible capital assets (note 7)	5,112,243	5,371,042
	<u>\$ 52,722,977</u>	<u>\$ 45,416,072</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,122,349	\$ 424,849
Deferred revenue	114,379	108,015
	<u>1,236,728</u>	<u>532,864</u>
Net assets		
Invested in tangible capital assets	5,112,243	5,371,042
Restricted for specified purposes	19,997,633	13,919,110
Restricted for endowment purposes (note 8)	21,297,161	20,519,960
Unrestricted	5,079,212	5,073,096
	<u>51,486,249</u>	<u>44,883,208</u>
	<u>\$ 52,722,977</u>	<u>\$ 45,416,072</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, 2022, with comparative information for 2021

	Invested in tangible capital assets	Restricted for		Unrestricted	2022	2021
		Specified purposes	Endowment purposes (note 8)			
Revenue:						
Donations	\$ -	\$ 8,275,481	\$ 323,121	\$ 1,135,903	\$ 9,734,505	\$ 7,421,515
Fundraising and other	-	1,131,309	-	16,972	1,148,281	973,054
Business enterprises, net (note 9)	(18,607)	-	-	963,523	944,916	493,261
JoeAnna's House (note 10)	-	-	-	114,915	114,915	90,172
	(18,607)	9,406,790	323,121	2,231,313	11,942,617	8,978,002
Investment	-	-	1,297,833	62,553	1,360,386	3,932,307
	(18,607)	9,406,790	1,620,954	2,293,866	13,303,003	12,910,309
Donation disbursements	-	2,562,504	538,386	185,330	3,286,220	10,587,200
Expenses:						
Amortization	59,654	-	-	-	59,654	38,623
Campaign and events	-	136,643	-	178,947	315,590	337,783
JoeAnna's House (note 10)	244,020	-	-	425,007	669,027	633,301
Lake Life lottery	-	-	-	23,862	23,862	-
Administrative	-	-	106,536	309,798	416,334	350,575
Salaries and benefits	-	-	-	2,033,928	2,033,928	1,901,422
Administrative recovery	-	1,065,875	198,831	(1,264,706)	-	-
	303,674	1,202,518	305,367	1,706,836	3,518,395	3,261,704
	(322,281)	5,641,768	777,201	401,700	6,498,388	(938,595)
Government assistance (note 3)	-	-	-	104,653	104,653	305,845
Excess (deficiency) of revenue over expenses	(322,281)	5,641,768	777,201	506,353	6,603,041	(632,750)
Net assets, beginning of year	5,371,042	13,919,110	20,519,960	5,073,096	44,883,208	45,515,958
Net investment in tangible capital assets	63,482	-	-	(63,482)	-	-
Transfers	-	436,755	-	(436,755)	-	-
Net assets, end of year	\$ 5,112,243	\$ 19,997,633	\$ 21,297,161	\$ 5,079,212	\$ 51,486,249	\$ 44,883,208

See accompanying notes to financial statements.

KELOWNA GENERAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities		
Cash received from donations	\$ 9,387,804	\$ 6,799,921
Cash received from business enterprises and other revenue	2,055,926	1,409,202
Cash received from government assistance (note 3)	341,580	68,918
Cash paid for donation disbursements	(2,959,127)	(10,590,536)
Cash paid for operating expenditures	(3,269,611)	(2,801,454)
	5,556,572	(5,113,949)
Investing and financing activities		
Endowment contributions	323,121	569,628
Net (increase) decrease of investments	(5,733,661)	2,931,881
Investment income received, net of fees	1,215,237	1,281,538
Proceeds on disposal of tangible capital assets	-	2,612
Purchase of tangible capital assets	(66,409)	(175,144)
	(4,261,712)	4,610,515
Increase (decrease) in cash and restricted cash	1,294,860	(503,434)
Cash and restricted cash, beginning of year	1,222,747	1,726,181
Cash and restricted cash, end of year	\$ 2,517,607	\$ 1,222,747
Supplemental information:		
Non-cash investing and financing activities:		
Net change in cumulative unrealized gain on investments	\$ (40,114)	\$ 2,536,553
Gift-in-kind donations	29,944	67,589

See accompanying notes to financial statements.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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 ("CEWS") and related programs. 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. Local conditions, including supply chain issues and staffing levels, impact hospital operations resulting in the delay of equipment delivery and installation. 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, 2022

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.

Inventories related to the Lake Life Lottery are recorded at the cost of the Foundation's share of the property under development. At each reporting date, the project is reviewed to assess whether there is any indication of impairment. If any such indication exists, then the project's recoverable amount is estimated in order to determine the extent of the impairment, if any.

(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.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(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.

(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.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(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.

(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:

	2022	2021
Unrestricted	\$ 1,770,618	\$ 206,500
Restricted	746,989	1,016,247
	<u>\$ 2,517,607</u>	<u>\$ 1,222,747</u>

3. Government assistance:

The Foundation applied for COVID-19 financial relief in Canada under the CEWS and related programs. These programs were launched by the Government of Canada to qualifying employers to subsidize payroll costs during the COVID-19 pandemic. The qualified subsidy amounts received under these programs are non-repayable. During the year ended March 31, 2022, the Foundation applied for \$104,653 (2021 - \$305,845) in assistance.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

4. Inventories:

	2022	2021
Business enterprise inventory	\$ 33,163	\$ 26,807
Lake Life Lottery property under development	518,446	-
	<u>\$ 551,609</u>	<u>\$ 26,807</u>

5. Cash surrender value of life insurance policies:

The Foundation has been named the beneficiary of three (2021 - three) life insurance policies with a total face value of \$491,472 (2021 - \$479,857). 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.

6. Investments:

	2022	2021
Restricted:		
Pooled investments	\$ 18,984,592	\$ 18,438,263
Interest-bearing investments	21,380,598	15,586,128
	<u>40,365,190</u>	<u>34,024,391</u>
Unrestricted:		
Interest-bearing investments	3,313,615	3,882,140
	<u>\$ 43,678,805</u>	<u>\$ 37,906,531</u>

Interest-bearing investments consists of term deposits, guaranteed investment certificates and other money market instruments with a weighted average interest rate of 0.80% (2021 - 0.28%)

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

7. Tangible capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 175,468	\$ -	\$ 175,468	\$ 175,468
Building	5,400,321	763,288	4,637,033	4,846,746
Computer and equipment	830,019	530,277	299,742	348,828
	<u>\$ 6,405,808</u>	<u>\$ 1,293,565</u>	<u>\$ 5,112,243</u>	<u>\$ 5,371,042</u>

8. Net assets restricted for endowment purposes:

	2022	2021
Contributed principal:		
Contributed principal, beginning of year	\$ 15,594,014	\$ 15,024,386
Current year donations	323,121	569,628
Contributed principal, end of year	15,917,135	15,594,014
Undisbursed income	5,380,026	4,925,946
	<u>\$ 21,297,161</u>	<u>\$ 20,519,960</u>

9. Business enterprises:

	2022	2021
Revenue	\$ 2,205,821	\$ 1,177,981
Gain on disposal of tangible capital assets	-	2,612
	<u>2,205,821</u>	<u>1,180,593</u>
Expenses:		
Direct costs	1,112,400	566,955
Operations and administrative	129,898	104,408
Amortization	18,607	15,969
	<u>(1,260,905)</u>	<u>(687,332)</u>
	<u>\$ 944,916</u>	<u>\$ 493,261</u>

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

10. JoeAnna's House operations:

	2022	2021
Revenue	\$ 114,915	\$ 90,172
Expenses:		
Salaries and benefits	353,958	335,210
Operations and administrative	71,049	52,847
Amortization	244,020	245,244
	669,027	633,301
	(554,112)	(543,129)
Invested in tangible capital assets - amortization	244,020	245,244
Government assistance (note 3)	20,848	50,987
Transfer from restricted for specified purposes	289,244	246,898
	\$ -	\$ -

11. 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 2022.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

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

(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 2022.

(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 2022.

(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 2022.

(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 2022.

KELOWNA GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

12. 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, 2022, the Foundation paid total remuneration of \$1,215,278 (2021 - \$1,213,284) to eleven (2021 - eleven) employees for services, each of whom received total annual remuneration of \$75,000 or greater. Remuneration includes wages and taxable benefits.