

Financial Statements of

**THE EAGLE RIDGE
HOSPITAL FOUNDATION**

Year ended March 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Directors of Eagle Ridge Hospital Foundation

We have audited the accompanying financial statements of Eagle Ridge Hospital Foundation, which comprise the statement of financial position as at March 31, 2016, the statements of operations, 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 the 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 entity'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 entity'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 not-for-profit organizations, Eagle Ridge Hospital Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Eagle Ridge Hospital Foundation. Therefore, we were not able to determine whether, as at and for the years ended March 31, 2016 and March 31, 2015, any adjustments might be necessary to donation revenues and excess (deficiency) of revenue over expenses and contributions, reported in the statements of operations, changes in net assets, and cash flows, and current assets and net assets reported in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2015.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Eagle Ridge Hospital Foundation as at March 31, 2016 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.

Report on Other Legal and Regulatory Requirements

As required by the Society 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 year.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

May 25, 2016
Burnaby, Canada

THE EAGLE RIDGE HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash (note 2)	\$ 1,274,933	\$ 1,286,352
Short-term investments (note 3)	512,603	512,500
Prepaid expenses and accounts receivable	79,534	56,835
	<u>1,867,070</u>	<u>1,855,687</u>
Investments (note 3)	1,879,243	1,880,872
Capital assets (note 4)	4,460	5,297
	<u>\$ 3,750,773</u>	<u>\$ 3,741,856</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 20,535	\$ 28,645
Due to Fraser Health Authority for (note 10):		
Operating expenses	57,537	46,267
Contributions to Eagle Ridge Hospital and Health Care Centre	4,103	20,105
Deferred revenue	116,476	73,103
	<u>198,651</u>	<u>168,120</u>
Net assets:		
Unrestricted	448,587	1,124,870
Invested in capital assets	4,460	5,297
Internally restricted (note 5)	500,000	500,000
Externally restricted (note 6)	2,308,652	1,657,784
Endowment (note 7)	290,423	285,785
	<u>3,552,122</u>	<u>3,573,736</u>
Commitments (note 8)		
	<u>\$ 3,750,773</u>	<u>\$ 3,741,856</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

THE EAGLE RIDGE HOSPITAL FOUNDATION

Statement of Operations

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

	Restricted Funds							2016 Total	2015 Total
	Unrestricted	Invested in capital assets	Internally Designated Fund	Externally		Total	Endowment Funds		
				Designated Funds	Capital Funds				
Revenue:									
Donations	\$ 566,105	\$ -	\$ -	\$ 756,329	\$ -	\$ 756,329	\$ -	\$ 1,322,434	\$ 1,347,946
Investment income	44,707	-	-	6,427	3,459	9,886	4,638	59,231	65,014
Gaming licence	37,205	-	-	2,320	-	2,320	-	39,525	44,695
Television commission	18,048	-	-	-	-	-	-	18,048	23,094
	666,065	-	-	765,076	3,459	768,535	4,638	1,439,238	1,480,749
Expenses:									
Consulting & legal	20,543	-	-	-	-	-	-	20,543	20,376
Donor recognition & development	80,745	-	-	-	-	-	-	80,745	79,213
Office, stationery & miscellaneous	37,749	1,248	-	-	-	-	-	38,997	43,675
Postage & direct mail	76,094	-	-	-	-	-	-	76,094	68,162
Salaries	600,993	-	-	-	-	-	-	600,993	558,033
Special events	224,805	-	-	-	-	-	-	224,805	248,643
	1,040,929	1,248	-	-	-	-	-	1,042,177	1,018,102
Allocation of expenses to restricted funds	(109,325)	-	-	109,325	-	109,325	-	-	-
	931,604	1,248	-	109,325	-	109,325	-	1,042,177	1,018,102
Excess (deficiency) of revenue over expenses before contributions	(265,539)	(1,248)	-	655,751	3,459	659,210	4,638	397,061	462,647
Contributions to Eagle Ridge Hospital & Health Care Centre (note 10)	7,155	-	-	411,520	-	411,520	-	418,675	534,718
Excess (deficiency) of revenue over expenses and contributions	\$ (272,694)	\$ (1,248)	\$ -	\$ 244,231	\$ 3,459	\$ 247,690	\$ 4,638	\$ (21,614)	\$ (72,071)

See accompanying notes to financial statements.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Statement of Changes in Net Assets

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

	Unrestricted	Invested in capital assets	Restricted Funds			Total	Endowment Funds	2016 Total	2015 Total
			Internally Designated Fund	Externally Designated Funds	Capital Funds				
Net assets, beginning of year	\$ 1,124,870	\$ 5,297	\$ 500,000	\$ 1,048,374	\$ 609,410	\$ 2,157,784	\$ 285,785	\$ 3,573,736	\$ 3,645,807
Excess (deficiency) of revenue over expenses and contributions	(272,694)	(1,248)	-	244,231	3,459	247,690	4,638	(21,614)	(72,071)
Fund transfers:									
Purchase of capital assets	(411)	411	-	-	-	-	-	-	-
Transfer to restricted fund (note 6(a))	(403,178)	-	-	403,178	-	403,178	-	-	-
	(403,589)	411	-	403,178	-	403,178	-	-	-
Net assets, end of year	\$ 448,587	\$ 4,460	\$ 500,000	\$ 1,695,783	\$ 612,869	\$ 2,808,652	\$ 290,423	\$ 3,552,122	\$ 3,573,736

See accompanying notes to financial statements.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Statement of Cash Flows

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

	2016	2015
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses and contributions	\$ (21,614)	\$ (72,071)
Amortization of capital assets, an item not involving cash	1,248	636
	(20,366)	(71,435)
Change in operating working capital:		
Prepaid expenses and accounts receivable	(22,699)	(13,600)
Accounts payable and accrued liabilities	(8,110)	(5,534)
Due to Fraser Health Authority for:		
Operating expenses	11,270	8,539
Contributions to Eagle Ridge Hospital and Health Care Centre	(16,002)	(15,925)
Deferred revenue	43,373	26,706
	(12,534)	(71,249)
Investing activities:		
Change in investments	1,526	1,316
Purchase of capital assets	(411)	(5,345)
	1,115	(4,029)
Decrease in cash	(11,419)	(75,278)
Cash, beginning of year	1,286,352	1,361,630
Cash, end of year	\$ 1,274,933	\$ 1,286,352

See accompanying notes to financial statements.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2016

Operations:

The Eagle Ridge Hospital Foundation (the "Foundation") is incorporated under the Society Act (British Columbia) to fund, facilitate and promote high quality patient care through the provision of financial support for development, education and research at Eagle Ridge Hospital and Health Care Centre. The Foundation receives gifts, bequests, funds and property which, in partnership with Fraser Health Authority, are used to enhance the role of the Eagle Ridge Hospital and Health Care Centre. The Foundation is a registered charity under the Income Tax Act (the "Act") and accordingly, is exempt from income taxes provided certain requirements of the Act are met.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Short-term investments:

Short-term investments have terms to maturity of between three and twelve months at the date of purchase.

(c) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions.

Contributions are recognized as revenue in the appropriate fund in the year received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

Investment income is recognized when earned.

Television commission revenue is unrestricted and recognized when earned, the amounts can be reasonably estimated and are considered collectible.

Event revenues received in advance for subsequent years' fundraising events are recorded as deferred revenue. These revenues are recognized as revenue in the period in which the event occurs.

(d) Contributed services:

Volunteers contribute an indeterminate number of hours to assist the Foundation in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The Foundation records depreciation on its capital assets, comprised of equipment, on a straight-line basis over the estimated useful life of five years.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(f) Employee future benefits:

The Foundation and its employees contribute to the Municipal Pension Plan. Defined contribution plan accounting is applied to the multi-employer defined benefit plan and, accordingly, contributions are expensed when paid or payable.

(g) Allocation of expenses:

The Foundation incurs costs to research, secure and manage gifts, provide recognition to donors as well as manage the investment of the restricted funds. Accordingly, unless otherwise designated, the Foundation allocates expenses, up to 15% of the restricted fund donations received in the year, to externally restricted funds.

(h) Use of estimates:

The preparation of 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 reporting period. Actual results could differ from the estimates.

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship, and equity instruments that are quoted in an active market, are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry all its investments at fair value with changes in fair values recognized in the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments subsequently measured at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(j) Life insurance policies:

Life insurance policies are recorded at fair value which is equal to the cash surrender value. The cash surrender value of the Foundation's life insurance policies are nil. Premiums are expensed as incurred. Any final pay-out received is recognized as a gain when realized.

2. Cash:

Cash includes restricted gaming funds of \$188,596 (2015 - \$153,063).

3. Investments:

Investments are comprised of guaranteed investment certificates that earn interest at rates ranging from 0.70% to 2.30% (2015 - 1.05% to 2.30%) and have maturity dates ranging from April 2016 to March 2019 (2015 - April 2015 to February 2018).

4. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 6,398	\$ 1,938	\$ 4,460	\$ 5,297

5. Internally restricted funds:

The Foundation's internally restricted fund is a designated fund. The principal can only be used at the discretion of the Board as set out in the bylaws of the Foundation.

In 2015, the Board elected to redesignate \$500,000 previously included as internally restricted funds as a contingency reserve. The purpose of this reserve is to set aside sufficient funds to cover approximately six months of budgeted operating expenses. The amount will be reviewed annually by the Finance Committee. Any income earned on investments related to the contingency reserve will be included in the Foundation's unrestricted fund.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Externally restricted funds:

	2016	2015
Designated funds (a)	\$ 1,695,783	\$ 1,048,374
Capital funds (b)	612,869	609,410
	<u>\$ 2,308,652</u>	<u>\$ 1,657,784</u>

(a) Designated funds:

Designated funds are restricted by donors for various special purposes for the benefit of the Eagle Ridge Hospital and Health Care Centre.

In 2016, the Board elected to transfer \$403,178 of unrestricted funds to the designated funds to cover administration costs.

(b) Capital funds:

The Jack Cewe Endowment Fund is externally restricted where revenue earned on related investments can be used only for the purposes of the fund or added to principal of the fund. The principal is to be used for capital equipment acquisitions and cannot be utilized until the year 2018.

7. Endowment funds:

	2016	2015
Blake & Ailsa Rowson Fund	\$ 278,391	\$ 273,946
Susan Meredith Memorial Education Fund	12,032	11,839
	<u>\$ 290,423</u>	<u>\$ 285,785</u>

The Blake & Ailsa Rowson Fund is restricted for the purposes of supporting the introduction of innovative health care services. The Susan Meredith Memorial Education Fund is to support education. The capital in each of these funds shall be held in perpetuity, invested according to the investment policy of the Board, with the investment income derived being used to fund the purpose identified.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Commitments:

The Foundation has pledged to make contributions totaling \$400,452 (2015 - \$565,339) to the Eagle Ridge Hospital and Health Care Centre for capital plans.

Outstanding commitments from prior fiscal years are as follows:

2014	\$ 9,048
2015	40,085
2016	144,043
	<hr/>
	\$ 193,176

9. Life insurance policy:

The Foundation is the beneficiary of a life insurance policy with an expected final settlement value of \$200,000 (2015 - \$200,000). The Foundation is responsible for the policy's annual premium payments of \$15,492 (2015 - \$15,492).

10. Due to Fraser Health Authority:

The amounts due to Fraser Health Authority consist of contributions and amounts owing for operating expenses that are unpaid as at year end.

All contributions to Eagle Ridge Hospital and Health Care Centre and all amounts paid to Fraser Health Authority to cover operating expenses are in the normal course of operations and are recorded at the fair value of the contributed amounts.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

11. Employee pension benefits:

The Foundation and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 6 contributors from the Foundation.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

During fiscal 2016, the Foundation paid \$56,711 (2015 - \$48,274) for employer contributions to the Plan.

12. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Objectives Investment Policy approved by The Board. The Foundation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Foundation believes that it is not exposed to significant interest rate, market, credit or cash flow risk arising from its financial instruments due to its investment policies, other than fair value risk related to its fixed rate investments in guaranteed investment certificates.

Additionally, the Foundation believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid.