

Financial Statements of

THE EAGLE RIDGE HOSPITAL FOUNDATION

Year ended March 31, 2017

APPROVED - June 14, 2017



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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, 2017, 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, 2017 and March 31, 2016, any adjustments might be necessary to donation revenues and excess (deficiency) of revenue over expenses and contributions, reported in the statement 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, 2016.

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, 2017 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 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 year.

KPMG LLP

Chartered Professional Accountants

May 30, 2017

Burnaby, Canada

THE EAGLE RIDGE HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash (note 2)	\$ 1,777,978	\$ 1,274,933
Short-term investments (note 3)	997,840	512,603
Prepaid expenses and accounts receivable	52,884	79,534
	<u>2,828,702</u>	<u>1,867,070</u>
Investments (note 3)	1,379,731	1,879,243
Capital assets (note 4)	3,180	4,460
	<u>\$ 4,211,614</u>	<u>\$ 3,750,773</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 83,805	\$ 20,535
Due to Fraser Health Authority for (note 5):		
Operating expenses	47,354	57,537
Contributions to Eagle Ridge Hospital and Health Care Centre	72,721	4,103
Deferred revenue	106,777	116,476
	<u>310,657</u>	<u>198,651</u>
Net assets:		
Unrestricted	438,104	448,587
Invested in capital assets	3,180	4,460
Internally restricted (note 6)	500,000	500,000
Externally restricted (note 7)	2,669,073	2,308,652
Endowment (note 8)	290,599	290,423
	<u>3,900,956</u>	<u>3,552,122</u>
Commitments (note 9)		
	<u>\$ 4,211,614</u>	<u>\$ 3,750,773</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, 2017, with comparative information for 2016

	Unrestricted	Invested in capital assets	Restricted Funds			Total	Endowment Funds	2017 Total	2016 Total
			Internally Designated Fund	Externally					
				Designated Funds	Capital Funds				
Revenue:									
Donations and special events	\$ 919,850	\$ -	\$ -	\$ 809,583	\$ -	\$ 809,583	\$ -	\$ 1,729,433	\$ 1,322,434
Investment income	42,518	-	-	-	9,040	9,040	4,239	55,797	59,231
Gaming licence	28,110	-	-	19,700	-	19,700	-	47,810	39,525
Television commission	10,391	-	-	-	-	-	-	10,391	18,048
	1,000,869	-	-	829,283	9,040	838,323	4,239	1,843,431	1,439,238
Expenses:									
Consulting & legal	30,854	-	-	1,640	-	1,640	-	32,494	20,543
Donor recognition & development	110,901	-	-	2,223	-	2,223	-	113,124	80,745
Office, stationery & miscellaneous	40,288	1,280	-	-	-	-	-	41,568	38,997
Postage & direct mail	11,184	-	-	68,617	-	68,617	-	79,801	76,094
Salaries and benefits	563,472	-	-	-	-	-	-	563,472	600,993
Special events	215,851	-	-	27,507	-	27,507	-	243,358	224,805
	972,550	1,280	-	99,987	-	99,987	-	1,073,817	1,042,177
Allocation of expenses to restricted funds	(145,726)	-	-	145,726	-	145,726	-	-	-
	826,824	1,280	-	245,713	-	245,713	-	1,073,817	1,042,177
Excess (deficiency) of revenue over expenses before contributions	174,045	(1,280)	-	583,570	9,040	592,610	4,239	769,614	397,061
Contributions to Eagle Ridge Hospital & Health Care Centre (note 5)	(184,528)	-	-	(236,252)	-	(236,252)	-	(420,780)	(418,675)
Excess (deficiency) of revenue over expenses and contributions	\$ (10,483)	\$ (1,280)	\$ -	\$ 347,318	\$ 9,040	\$ 356,358	\$ 4,239	\$ 348,834	\$ (21,614)

See accompanying notes to financial statements.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Statement of Changes in Net Assets

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

	Restricted Funds									
	Unrestricted	Invested in capital assets	Internally Designated Fund	Externally			Endowment Funds	2017 Total	2016 Total	
				Designated Funds	Capital Funds	Total				
Net assets, beginning of year	\$ 448,587	\$ 4,460	\$ 500,000	\$ 1,695,783	\$ 612,869	\$ 2,308,652	\$ 290,423	\$ 3,552,122	\$ 3,573,736	
Excess (deficiency) of revenue over expenses and contributions	(10,483)	(1,280)	-	347,318	9,040	\$ 356,358	4,239	348,834	(21,614)	
Fund transfers	-	-	-	(2,364)	6,427	\$ 4,063	(4,063)	-	-	
Net assets, end of year	\$ 438,104	\$ 3,180	\$ 500,000	\$ 2,040,737	\$ 628,336	\$ 2,669,073	\$ 290,599	\$ 3,900,956	\$ 3,552,122	

See accompanying notes to financial statements.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Statement of Cash Flows

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

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses and contributions	\$ 348,834	\$ (21,614)
Amortization of capital assets, an item not involving cash	1,280	1,248
	<u>350,114</u>	<u>(20,366)</u>
Change in operating working capital:		
Prepaid expenses and accounts receivable	26,650	(22,699)
Accounts payable and accrued liabilities	63,270	(8,110)
Due to Fraser Health Authority for:		
Operating expenses	(10,183)	11,270
Contributions to Eagle Ridge Hospital and Health Care Centre	68,618	(16,002)
Deferred revenue	(9,699)	43,373
	<u>488,770</u>	<u>(12,534)</u>
Investing activities:		
Net redemption of investments	14,275	1,526
Purchase of capital assets	-	(411)
	<u>14,275</u>	<u>1,115</u>
Increase (decrease) in cash	503,045	(11,419)
Cash, beginning of year	1,274,933	1,286,352
Cash, end of year	<u>\$ 1,777,978</u>	<u>\$ 1,274,933</u>

See accompanying notes to financial statements.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

Operations:

The Eagle Ridge Hospital Foundation (the "Foundation") is incorporated under the Society Act (British Columbia). The Foundation has until November 28, 2018 to transition to the new Societies Act (British Columbia) which became effective November 28, 2016. 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 and is authorized to issue donation receipts for income tax purposes.

The Foundation's principal purpose is 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.

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 are measured at fair value and have terms to maturity of more than three months and less than 12 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.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(d) Contributed materials and services:

Contributed materials are recorded at their fair market values where the amount is reasonably determinable and the items would otherwise have been acquired.

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.

(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 20% of the restricted fund donations received in the year, to externally restricted funds as well as expenses related directly to the generation of restricted donations.

(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. Significant areas requiring the use of management estimates relate to provisions for accrued liabilities and contingencies. Actual results could differ from the estimates.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(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.

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.

(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 \$29,782 (2016 - \$188,596).

3. Investments:

Investments are comprised of fixed income instruments that earn interest at rates from 0.75% to 2.15% (2016 - 0.70% to 2.30%) and have maturities ranging from April 2017 to April 2019 (2016 - April 2016 to March 2019). Investments with maturities within the next fiscal year are classified as short-term investments.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Capital assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Equipment	\$ 6,398	\$ 3,218	\$ 3,180	\$ 4,460

5. 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 amounts paid to Fraser Health Authority to cover operating expenses are in the normal course of operations and are recorded at the exchange amount of the contributed amounts.

6. 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 revenue 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, 2017

7. Externally restricted funds:

	2017	2016
Designated funds (a)	\$ 2,040,737	\$ 1,695,783
Capital funds (b)	628,336	612,869
	<u>\$ 2,669,073</u>	<u>\$ 2,308,652</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.

(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 after June 19, 2018.

8. Endowment funds:

	2017	2016
Blake & Ailsa Rowson Fund	\$ 278,391	\$ 278,391
Susan Meredith Memorial Education Fund	12,208	12,032
	<u>\$ 290,599</u>	<u>\$ 290,423</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 specified.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

9. Commitments:

The Foundation has pledged to make contributions totaling \$601,796 (2016 - \$400,452) 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		60,464
2017		164,461
		<hr/>
		\$ 274,058

10. Life insurance policy:

The Foundation is the beneficiary of a life insurance policy with an expected final settlement value of \$200,000 (2016 - \$200,000). The Foundation is responsible for the policy's annual premium payments of \$15,492 (2016 - \$15,492).

11. Employee pension benefits:

The Foundation and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted 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 189,000 active members and approximately 85,000 retired members. Active members include approximately 7 contributors from the Foundation.

The most recent actuarial valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits. The next valuation will be December 31, 2018, with results available in 2019.

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 2017, the Foundation paid \$53,283 (2016 - \$56,711) for employer contribution to the Plan.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

12. Remuneration of employees:

During the fiscal year ending March 31, 2017, the Foundation paid total remuneration of \$209,234 to two employees, each of whom received annual remuneration of \$75,000 or greater.

13. 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.