

Financial Statements of

**THE EAGLE RIDGE HOSPITAL FOUNDATION**

Year ended March 31, 2018



KPMG LLP  
Metro Tower I  
4710 Kingsway, Suite 2400  
Burnaby BC V5H 4M2  
Canada  
Telephone (604) 527-3600  
Fax (604) 527-3636

## 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, 2018, 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, 2018 and March 31, 2017, 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, 2017.

*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, 2018 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*

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Chartered Professional Accountants

Burnaby, Canada

May 24, 2018

# THE EAGLE RIDGE HOSPITAL FOUNDATION

## Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Current assets:		
Cash (note 2)	\$ 2,759,742	\$ 1,777,978
Short-term investments (note 3)	500,215	997,840
Prepaid expenses and accounts receivable	74,844	52,884
	<u>3,334,801</u>	<u>2,828,702</u>
Investments (note 3)	1,891,202	1,379,731
Capital assets (note 4)	1,900	3,180
	<u>\$ 5,227,903</u>	<u>\$ 4,211,613</u>

## Liabilities and Net Assets

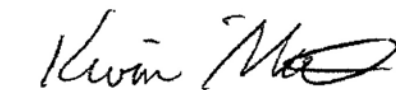
Current liabilities:		
Accounts payable and accrued liabilities	\$ 26,683	\$ 83,805
Due to Fraser Health Authority for (note 5):		
Operating expenses	107,673	47,354
Contributions to Eagle Ridge Hospital and Health Care Centre	20,211	72,721
Deferred revenue	39,445	106,777
	<u>194,012</u>	<u>310,657</u>
Net assets:		
Unrestricted	485,459	438,104
Invested in capital assets	1,900	3,180
Internally restricted (note 6)	700,000	500,000
Externally restricted (note 7)	3,040,833	2,669,073
Endowment (note 8)	805,699	290,599
	<u>5,033,891</u>	<u>3,900,956</u>
Commitments (note 9)		
	<u>\$ 5,227,903</u>	<u>\$ 4,211,613</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, 2018, with comparative information for 2017

	Unrestricted		Invested in capital assets		Restricted Funds			Endowment Funds	2018 Total	2017 Total
					Internally Designated Fund	Externally				
						Designated Funds	Capital Funds			
<b>Revenue:</b>										
Donations and special events	\$ 988,712	\$ -	\$ -	\$ 1,694,243	\$ -	\$ 1,694,243	\$ -	\$ 2,682,955	\$ 1,729,433	
Investment income	57,071	-	-	-	8,187	8,187	5,100	70,358	55,797	
Gaming licence	2,300	-	-	6,230	-	6,230	-	8,530	47,810	
Television commission	1,429	-	-	-	-	-	-	1,429	10,391	
	1,049,512	-	-	1,700,473	8,187	1,708,660	5,100	2,763,272	1,843,431	
<b>Expenses:</b>										
Consulting & legal	54,783	-	-	1,042	-	1,042	-	55,825	32,494	
Donor recognition & development	74,060	-	-	20,429	-	20,429	-	94,489	113,124	
Office, stationery & miscellaneous	42,980	1,280	-	44	-	44	-	44,304	41,568	
Postage & direct mail	534	-	-	86,072	-	86,072	-	86,606	79,801	
Salaries and benefits	560,931	-	-	-	-	-	-	560,931	563,472	
Special events	226,195	-	-	10,451	-	10,451	-	236,646	243,358	
	959,483	1,280	-	118,038	-	118,038	-	1,078,801	1,073,817	
<b>Allocation of expenses to restricted funds</b>										
	(157,326)	-	-	157,326	-	157,326	-	-	-	
	802,157	1,280	-	275,364	-	275,364	-	1,078,801	1,073,817	
<b>Excess (deficiency) of revenue over expenses before contributions</b>										
	247,355	(1,280)	-	1,425,109	8,187	1,433,296	5,100	1,684,471	769,614	
<b>Contributions to Eagle Ridge Hospital &amp; Health Care Centre (note 5)</b>										
	-	-	-	(551,536)	-	(551,536)	-	(551,536)	(420,780)	
<b>Excess (deficiency) of revenue over expenses and contributions</b>										
	\$ 247,355	\$ (1,280)	\$ -	\$ 873,573	\$ 8,187	\$ 881,760	\$ 5,100	\$ 1,132,935	\$ 348,834	

See accompanying notes to financial statements.

# THE EAGLE RIDGE HOSPITAL FOUNDATION

## Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	Restricted Funds								
	Unrestricted	Invested in capital assets	Internally Designated Fund	Externally		Total	Endowment Funds	2018 Total	2017 Total
				Designated Funds	Capital Funds				
Net assets, beginning of year	\$ 438,104	\$ 3,180	\$ 500,000	\$ 2,040,737	\$ 628,336	\$ 2,669,073	\$ 290,599	\$ 3,900,956	\$ 3,552,122
Excess (deficiency) of revenue over expenses and contributions	247,355	(1,280)	-	873,573	8,187	881,760	5,100	1,132,935	348,834
Fund transfer (notes 6 and 7(b))	(200,000)	-	200,000	126,523	(636,523)	(310,000)	510,000	-	-
Net assets, end of year	\$ 485,459	\$ 1,900	\$ 700,000	\$ 3,040,833	\$ -	\$ 3,240,833	\$ 805,699	\$ 5,033,891	\$ 3,900,956

See accompanying notes to financial statements.

# THE EAGLE RIDGE HOSPITAL FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses and contributions	\$ 1,132,935	\$ 348,834
Amortization of capital assets, an item not involving cash	1,280	1,280
	<u>1,134,215</u>	<u>350,114</u>
Change in non-cash operating working capital:		
Prepaid expenses and accounts receivable	(21,960)	26,650
Accounts payable and accrued liabilities	(57,122)	63,270
Due to Fraser Health Authority for:		
Operating expenses	60,319	(10,183)
Contributions to Eagle Ridge Hospital and Health Care Centre	(52,510)	68,618
Deferred revenue	(67,332)	(9,699)
	<u>995,610</u>	<u>488,770</u>
Investing activities:		
Net change in investments	(13,846)	14,275
	<u>(13,846)</u>	<u>14,275</u>
Increase in cash	981,764	503,045
Cash, beginning of year	1,777,978	1,274,933
Cash, end of year	<u>\$ 2,759,742</u>	<u>\$ 1,777,978</u>

See accompanying notes to financial statements.

# THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2018

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## 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) Fund accounting:

In order to ensure observance of the limitations and restrictions placed on the use of resources available, the Foundation follows the restricted fund method of accounting for contributions. Under this method, restricted contributions are recorded as revenue of the restricted fund to which they relate. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors (the "Board"). For financial reporting purposes, the accounts have been classified into the following funds:

#### (i) Unrestricted:

The unrestricted fund reflects the results of operating activities and includes undesignated revenue and donations received by the Foundation.

#### (ii) Capital assets fund:

The capital assets fund includes capital assets acquired by the Foundation and related amortization.

#### (iii) Internally restricted fund:

The internally restricted fund includes amounts designated for specific purposes by the Board.



# THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

### (b) Fund accounting (continued):

#### (iv) Externally restricted fund:

The externally restricted fund includes donations and other funding received by the Foundation which has been designated for specific purposes by the donor or funder.

#### (v) Endowment fund:

The endowment fund comprises donations that are permanently maintained in accordance with donor wishes. The annual investment income earned from these endowments is used for specific purposes, in a manner consistent with the endowment agreement.

### (c) 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.

### (d) 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, 2018

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## 1. Significant accounting policies (continued):

### (e) 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.

### (f) 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.

### (g) 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.

### (h) 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.

### (i) 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, 2018

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## 1. Significant accounting policies (continued):

### (j) 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 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.

### (k) 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 \$8,974 (2017 - \$29,782).

## 3. Investments:

Investments are comprised of guaranteed investment certificates that earn interest at rates from 1.40% to 2.00% (2017 - 0.75% to 2.15%) and have maturities ranging from April 2018 to April 2019 (2017 - April 2017 to April 2019).

# THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

## 4. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Equipment	\$ 6,398	\$ 4,498	\$ 1,900	\$ 3,180

## 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 2018, the Board elected to transfer \$200,000 from unrestricted funds to internally restricted funds to increase the contingency reserve balance to \$700,000. 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.

## 7. Externally restricted funds:

	2018	2017
Designated funds (a)	\$ 3,040,833	\$ 2,040,737
Capital funds (b)	-	628,336
	\$ 3,040,833	\$ 2,669,073

### (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:

In 2018, the Board elected to re-designate the principal investment in the Jack Cewe Fund to the Endowment fund and the accumulated investment income earned on the Jack Cewe Fund to externally restricted designated funds.

# THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

## 8. Endowment funds:

	2018	2017
Blake & Ailsa Rowson Fund (a)	\$ 282,416	\$ 278,391
Susan Meredith Memorial Education Fund (b)	12,384	12,208
Jack Cewe Endowment Fund (c)	510,899	-
	<u>\$ 805,699</u>	<u>\$ 290,599</u>

### (a) Blake & Ailsa Rowson Fund:

The Fund is restricted for the purposes of supporting the introduction of innovative health care services. This fund 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.

### (b) Susan Meredith Memorial Education Fund:

The Fund is to support education. The capital 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.

### (c) Jack Cewe Endowment Fund:

The Fund is to purchase medical equipment. The capital 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.

## 9. Commitments:

The Foundation has pledged to make contributions totaling \$108,993 (2017 - \$601,796) to the Eagle Ridge Hospital and Health Care Centre for capital plans for the upcoming fiscal year.

Outstanding commitments approved by the Foundation are advanced to Eagle Ridge Hospital and Health Care Centre in conjunction with the timing of purchases of the respective equipment by Fraser Health on behalf of Eagle Ridge Hospital and Health Care Centre. Outstanding commitments from prior fiscal years are as follows:

2015	\$ 40,085
2016	35,941
2017	68,612
2018	209,439
	<u>\$354,077</u>

# THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

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## **10. 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. As at December 31, 2016, the Plan has about 193,000 active members and approximately 90,000 retired members. Active members include 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 2018, the Foundation paid \$42,376 (2017 - \$53,283) for employer contribution to the Plan.

## **11. Remuneration to directors, employees and contractors:**

During the fiscal year ending March 31, 2018, the Foundation paid total remuneration of \$208,905 (2017 - \$209,234) to two (2017 - two) employees, each of whom received annual remuneration of \$75,000 or greater.

No remuneration was paid to any members of the Foundation's Board of Directors.

## **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.