

Financial Statements of

THE EAGLE RIDGE HOSPITAL FOUNDATION

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Directors of Eagle Ridge Hospital Foundation

Report on the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Eagle Ridge Hospital Foundation (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of change 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, except for the possible effects of the matter described in the "**Basis for Qualified Opinion**" section of our auditors' report, the financial statements present fairly, in all material respects, the financial position of Eagle Ridge Hospital Foundation as at March 31, 2020, and its results of operations, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable 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 are not able to determine whether any adjustments might be necessary to donation revenues and excess (deficiency) of revenue over expenses reported in the statement of operations and changes in net assets and statement of cash flows for the years ended March 31, 2020 and March 31, 2019, current assets in the statement of financial position as at March 31, 2020 and March 31, 2019 and net assets reported in the statement of changes in net assets, both at the beginning and end of the year, for the years ending March 31, 2020 and March 31, 2019. Our opinion on the financial statements for the year ended March 31, 2019 was qualified accordingly because of the possible effects of this limitation in scope.



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 qualified 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 Eagle Ridge Hospital Foundation 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.

Chartered Professional Accountants

Abbotsford, Canada

May 28, 2020

THE EAGLE RIDGE HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash (note 2)	\$ 4,986,811	\$ 3,796,579
Short-term investments (note 3)	500,586	500,541
Prepaid expenses and accounts receivable	18,645	39,273
	<u>5,506,042</u>	<u>4,336,393</u>
Investments (note 3)	1,775,951	1,880,838
Capital assets (note 4)	-	674
	<u>\$ 7,281,993</u>	<u>\$ 6,217,905</u>

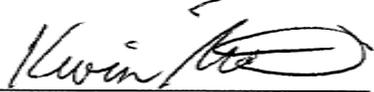
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 27,838	\$ 13,648
Due to Fraser Health Authority for (note 5):		
Operating expenses	87,479	41,688
Contributions to Eagle Ridge Hospital and Health Care Centre	46,284	-
Deferred revenue	5,500	27,250
	<u>167,101</u>	<u>82,586</u>
Net assets:		
Unrestricted	629,162	593,806
Invested in capital assets	-	674
Internally restricted (note 6)	700,000	700,000
Externally restricted (note 7)	4,975,088	4,030,499
Endowment (note 8)	810,642	810,340
	<u>7,114,892</u>	<u>6,135,319</u>
Commitments (note 9)		
	<u>\$ 7,281,993</u>	<u>\$ 6,217,905</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, 2020, with comparative information for 2019

	Unrestricted	Invested in capital assets	Restricted Funds			Endowment Funds	2020 Total	2019 Total
			Designated Fund	Externally Designated Funds	Total Restricted Funds			
Revenue:								
Donations and special events	\$ 566,128	\$ -	\$ -	\$ 1,743,173	\$ 1,743,173	\$ -	\$ 2,309,301	\$ 2,373,199
Investment income	119,397	-	-	15,790	15,790	7,286	142,473	99,962
Fair value adjustment on investments	(115,924)	-	-	-	-	-	(115,924)	-
Gaming licence	8,700	-	-	3,250	3,250	-	11,950	5,300
	<u>578,301</u>	<u>-</u>	<u>-</u>	<u>1,762,213</u>	<u>1,762,213</u>	<u>7,286</u>	<u>2,347,800</u>	<u>2,478,461</u>
Expenses:								
Consulting & legal	37,083	-	-	3,269	3,269	-	40,352	35,047
Donor recognition & development	31,423	-	-	76,994	76,994	-	108,417	79,988
Office, stationery & miscellaneous	45,555	674	-	-	-	-	46,229	53,879
Postage & direct mail	41	-	-	88,039	88,039	-	88,080	83,305
Salaries and benefits	606,925	-	-	-	-	-	606,925	617,530
Special events	152,805	-	-	-	-	-	152,805	202,385
	<u>873,832</u>	<u>674</u>	<u>-</u>	<u>168,302</u>	<u>168,302</u>	<u>-</u>	<u>1,042,808</u>	<u>1,072,134</u>
Allocation of expenses to restricted funds	(330,887)	-	-	330,887	330,887	-	-	-
	<u>542,945</u>	<u>674</u>	<u>-</u>	<u>499,189</u>	<u>499,189</u>	<u>-</u>	<u>1,042,808</u>	<u>1,072,134</u>
Excess (deficiency) of revenue over expenses before contributions	35,356	(674)	-	1,263,024	1,263,024	7,286	1,304,992	1,406,327
Contributions to Eagle Ridge Hospital & Health Care Centre (note 5)	-	-	-	(325,419)	(325,419)	-	(325,419)	(304,899)
Excess (deficiency) of revenue over expenses and contributions	\$ 35,356	\$ (674)	\$ -	\$ 937,605	\$ 937,605	\$ 7,286	\$ 979,573	\$ 1,101,428

See accompanying notes to financial statements.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Statement of Changes in Net Assets

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

			Restricted Funds			Endowment Funds	2020 Total	2019 Total
			Internally Designated Fund	Externally Designated Funds	Total Restricted Funds			
	Unrestricted	Invested in capital assets						
Net assets, beginning of year	\$ 593,806	\$ 674	\$ 700,000	\$ 4,030,499	\$ 4,730,499	\$ 810,340	\$ 6,135,319	\$ 5,033,891
Excess (deficiency) of revenue over expenses and contributions	35,356	(674)	-	937,605	937,605	7,286	979,573	1,101,428
Fund transfer	-	-	-	6,984	6,984	(6,984)	-	-
Net assets, end of year	\$ 629,162	\$ -	\$ 700,000	\$ 4,975,088	\$ 5,675,088	\$ 810,642	\$ 7,114,892	\$ 6,135,319

See accompanying notes to financial statements.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Statement of Cash Flows

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

See accompanying notes to financial statements.

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses and contributions	\$ 979,573	\$ 1,101,428
Amortization of capital assets, an item not involving cash	674	1,226
	980,247	1,102,654
Change in operating working capital:		
Prepaid expenses and accounts receivable	20,628	35,571
Accounts payable and accrued liabilities	14,190	(13,035)
Due to Fraser Health Authority for:		
Operating expenses	45,791	(65,985)
Contributions to Eagle Ridge Hospital and Health Care Centre	46,284	(20,211)
Deferred revenue	(21,750)	(12,195)
	1,085,390	1,026,799
Investing activities:		
Net change in investments	104,842	10,038
	104,842	10,038
Increase in cash	1,190,232	1,036,837
Cash, beginning of year	3,796,579	2,759,742
Cash, end of year	\$ 4,986,811	\$ 3,796,579

See accompanying notes to financial statements.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

Operations:

The Eagle Ridge Hospital Foundation (the "Foundation") transitioned to the new Societies Act (British Columbia) on November 19, 2018. 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, 2020

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.

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.

(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.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(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.

(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 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, 2020

1. Significant accounting policies (continued):

(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 \$4,320 (2019 - \$10,563).

3. Investments:

The aggregate fair value of the Foundation's investments consists of:

	2020	2019
Fixed income securities	\$ 1,069,242	\$ 2,381,379
Common stock and other equity instruments	1,207,295	-
	<u>\$ 2,276,537</u>	<u>\$ 2,381,379</u>

Fixed income securities are comprised of guaranteed investment certificates that earn interest at rates ranging from 2.00% to 2.80% (2019 – 1.75% to 2.15%) and have maturities ranging from May 2020 to February 2024 (2019 – April 2019 to June 2019).

4. Capital assets:

	2020	2019		
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 6,398	\$ 6,398	\$ -	\$ 674

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.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

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.

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:

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

8. Endowment funds:

	2020	2019
Blake & Ailsa Rowson Fund (a)	\$ 287,724	\$ 287,724
Susan Meredith Memorial Education Fund (b)	12,918	12,616
Jack Cewe Endowment Fund (c)	510,000	510,000
	<u>\$ 810,642</u>	<u>\$ 810,340</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. Any investment income not used in the year earned is recapitalized to the capital amount.

(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. Any investment income not used in the year earned is recapitalized to the capital amount.

(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.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Commitments:

In prior years, the Foundation pledged to make contributions to the Eagle Ridge Hospital and Health Care Centre at the end of each fiscal period for future capital purchases. 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 current and prior fiscal years are as follows:

2019 & prior	\$	41,298
2020		14,916
	\$	56,214

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 administering 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 205,000 active members and approximately 101,000 retired members. Active members include 7 contributors from the Foundation.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the Plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2018 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$2,485 million was transferred to the rate stabilization account and \$381 million of the surplus ensured the required contribution rates remained unchanged.

During fiscal 2020, the Foundation paid \$48,001 (2019 - \$50,751) for employer contributions to the Plan.

The next valuation will be December 31, 2021, with results available in 2022.

THE EAGLE RIDGE HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Employee pension benefits (continued):

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.

11. Remuneration to directors, employees and contractors:

During the fiscal year ending March 31, 2020, the Foundation paid total remuneration of \$220,376 (2019 - \$210,742) to two (2019 - 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.

13. COVID-19 and impact on operations:

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation presents uncertainty over the Foundation's future cash flows, and may have a significant impact on the Foundation's future operations. At the time of approval of these financial statements, the Foundation has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Temporary decline in investments
- Mandatory working from home requirements for those able to do so

As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the Foundation is not practicable at this time.