

Financial Statements of

**THE RICHMOND HOSPITAL
FOUNDATION**

Year ended June 30, 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Richmond Hospital Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Richmond Hospital Foundation, which comprise the statement of financial position as at June 30, 2018, the statements of operations and changes in fund balances 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 an 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Richmond Hospital Foundation as at June 30, 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.

Chartered Professional Accountants

Vancouver, Canada

DATE

THE RICHMOND HOSPITAL FOUNDATION

Statement of Financial Position

June 30, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 1,918,077	\$ 3,308,907
Term deposits (note 6)	12,991,853	11,682,590
Accounts and interest receivable (note 3)	168,441	93,030
Prepaid expenses	41,022	58,667
	<u>15,119,393</u>	<u>15,143,194</u>
Charitable remainder trust (note 4)	100,000	100,000
Life insurance policies (note 5)	46,595	48,564
Investments and properties held for sale (note 6)	8,842,109	2,321,094
Capital assets (note 7)	8,078,077	8,087,629
	<u>\$ 32,186,174</u>	<u>\$ 25,700,481</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 117,450	\$ 61,265
Deferred revenue (note 6(b))	1,025,600	65,550
	<u>1,143,050</u>	<u>126,815</u>
Fund balances:		
Unrestricted funds (note 9):		
Operating	7,137,823	5,613,340
Capital asset	8,078,077	8,087,629
	<u>15,215,900</u>	<u>13,700,969</u>
Restricted funds:		
Externally restricted funds	14,494,159	11,056,960
Internally restricted funds (note 10)	681,195	194,643
	<u>15,175,354</u>	<u>11,251,603</u>
Endowment funds	651,870	621,094
	<u>15,827,224</u>	<u>11,872,697</u>
	<u>31,043,124</u>	<u>25,573,666</u>
	<u>\$ 32,186,174</u>	<u>\$ 25,700,481</u>

Commitments (note 13)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

DRAFT – SEPTEMBER 18, 2018

THE RICHMOND HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended June 30, 2018, with comparative information for 2017

	Unrestricted funds	Restricted funds	Endowment funds	2018	2017
Revenue:					
Donations and fundraising events	\$ 3,790,306	\$ 5,508,426	\$ -	\$ 9,298,732	\$ 10,516,371
Gaming and other income (note 8)	48,000	16,454	-	64,454	69,563
Interest and investment income	307,390	21,941	5,511	334,842	224,715
Unrealized gain (loss)	833	(29,323)	25,265	(3,225)	34,371
Gift of health administration fees	70,246	(70,246)	-	-	-
Gifts-in-kind	205,464	-	-	205,464	328,979
	4,422,239	5,447,252	30,776	9,900,267	11,173,999
Expenses:					
Advertising and promotion	79,656	-	-	79,656	91,375
Amortization	9,552	-	-	9,552	9,015
Audit and accounting	19,100	-	-	19,100	16,162
Bank charges	35,211	-	-	35,211	34,817
Board expenses	4,957	-	-	4,957	3,729
Capital campaign	24,855	-	-	24,855	29,637
Donor recognition	55,099	-	-	55,099	53,246
Estate gift of land expenses	13,445	-	-	13,445	12,805
Event expenses	404,446	-	-	404,446	473,163
Mailing and other fundraising	158,473	7,415	-	165,888	177,519
Office and miscellaneous	71,123	13,719	-	84,842	87,502
Professional development	16,712	-	-	16,712	19,748
Professional fees	4,906	-	-	4,906	11,632
Salaries and benefits	1,204,309	-	-	1,204,309	1,264,397
Gifts-in-kind	205,464	-	-	205,464	328,979
	2,307,308	21,134	-	2,328,442	2,613,726
Excess of revenue over expenses before undernoted	2,114,931	5,426,118	30,776	7,571,825	8,560,273
Funds provided to Vancouver Coastal Health - Richmond (note 8)	-	(2,102,367)	-	(2,102,367)	(1,827,365)
Excess of revenue over expenses and contributions	2,114,931	3,323,751	30,776	5,469,458	6,732,908
Fund balances, beginning of year	13,700,969	11,251,603	621,094	25,573,666	18,840,758
Interfund transfer (note 10)	(600,000)	600,000	-	-	-
Fund balances, end of year	\$ 15,215,900	\$ 15,175,354	\$ 651,870	\$ 31,043,124	\$ 25,573,666

See accompanying notes to financial statements.

THE RICHMOND HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended June 30, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses and contributions	\$ 5,469,458	\$ 6,732,908
Items not involving cash:		
Amortization	9,552	9,015
Unrealized loss (gain) on endowment funds	3,225	(34,371)
Change in cash surrender value of life insurance policies	1,969	1,938
Change in non-cash operating working capital (note 12)	958,469	861,840
	<u>6,442,673</u>	<u>7,571,330</u>
Investing:		
Purchase of capital assets	-	(26,272)
Purchase of investments	(6,524,240)	(94,092)
Purchase of term deposits	(1,309,263)	(4,470,739)
	<u>(7,833,503)</u>	<u>(4,591,103)</u>
Increase (decrease) in cash	(1,390,830)	2,980,227
Cash, beginning of year	3,308,907	328,680
Cash, end of year	<u>\$ 1,918,077</u>	<u>\$ 3,308,907</u>

Cash includes gaming funds of \$22,951 (2017 - \$8,013).

See accompanying notes to financial statements.

THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended June 30, 2018

1. Operations:

The Richmond Hospital Foundation (the “Foundation”) is a charitable foundation, incorporated on June 20, 1987 under the Society Act (British Columbia). On December 15, 2016, the Foundation transitioned to the new Societies Act (British Columbia) after it came into effect on November 28, 2016. The primary objective of the Foundation is to raise funds to help purchase vital medical equipment, enhance patient care programs, enable important research and improve the facilities at Vancouver Coastal Health - Richmond by conducting community appeals for funds and by receiving donations and bequests. The Foundation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes and is authorized to issue donation receipts for income tax purposes.

2. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations. The significant accounting policies are as follows:

(a) 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”).

Transfers between unrestricted funds and restricted funds are made when it is considered appropriate and authorized by the Board. To meet the objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the Statement of Operations and Changes in Fund Balances.

For financial reporting purposes, the accounts have been classified in the following funds:

(i) Unrestricted funds:

– Operating fund:

The operating fund reflects the results of operating activities and includes undesignated revenue. All administrative and general fundraising expenses, other than direct fundraising event expenses are charged to the operating fund.

– Capital asset fund:

The capital asset fund consists of the net book value of the Foundation’s capital assets.

THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2018

2. Significant accounting policies (continued):

(a) Fund accounting (continued):

- (ii) Restricted funds consist of multiple funds designated for specific purposes, either externally restricted by donors or internally restricted as approved by the Board.
- (iii) Endowment funds include amounts restricted by donors with the intention that the principal balance of each fund remains intact. The income earned for the restricted endowment funds is recorded under the respective restricted funds in accordance with the specified purpose of the funds.

(b) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions whereby:

- (i) Restricted donations are recognized as revenue of the related restricted funds when received.
- (ii) Unrestricted donations are recognized as revenue of the operating fund when received.
- (iii) Endowment contributions are recognized as revenue of the endowment funds when received.

Donor pledges for future contributions to the Foundation are recorded as revenue only when such contributions are actually received.

Donated property, other than insignificant materials, is recorded as gifts-in-kind at its estimated fair market value at the time of donation.

A number of volunteers contribute time and service to the Foundation each year. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

Grant contributions are recognized in the period when the amounts are received or receivable if the amount can be reasonably estimated and collections is reasonably assured.

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

Administration fees of up to 5% charged to restricted gifts are recorded at the time the related gifts are received. These administrative fees for committed donations to the Acute Care Tower Campaign made during the period July 1, 2017 to June 30, 2018 have been waived.

THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2018

2. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are initially recorded at historical cost or, in the case of contributed assets, at the fair value at the time of receipt. Capital assets, excluding land and artwork, are amortized on declining balance basis over their estimated useful lives at the following annual rates:

Asset	Rates
Computer hardware/software	30%
Furniture and fixtures	20%
Leasehold improvements	20%

When a capital asset no longer contributes to the Foundation's ability to provide service, its carrying amount is written down to its residual value, if any.

(d) Life insurance policies:

The Foundation is the owner and beneficiary of various life insurance policies. These policies are recorded at the cash surrender values.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry all its financial instrument investments at fair value with the exception of term deposits, which are held at amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently 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 carried at amortized cost 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 RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2018

2. Significant accounting policies (continued):

(f) Future employee benefits:

The employees of the Foundation are members of Municipal Pension Plan, a multi-employer defined benefit plan. Contributions made toward the plan are expensed as incurred (note 15).

(g) 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 year. Significant items subject to such estimates and assumptions include the determination of useful lives of capital assets. Actual results could differ from those estimates.

(h) Allocation of expenses:

Direct costs relating to fundraising events and direct mail are charged to the specific fund for which the fundraising occurred. All other expenses incurred by the Foundation are charged to the unrestricted funds.

3. Accounts receivable and interest receivable:

Accrued interest receivable of \$132,253 (2017 - \$73,209) on term deposits is recorded at year end.

4. Charitable remainder trust:

In 2006, the Foundation was named a residual beneficiary in an irrevocable charitable remainder trust. The Foundation expects to receive \$100,000 upon the death of the income beneficiary. The charitable remainder trust is being carried on the books at its fully accreted value equal to its face value.

5. Life insurance policies:

Assets held in life insurance policies represent the Foundation's interest in the cash surrender value of those policies. The aggregate face value of those policies is \$221,595 (2017 - \$223,564) and will be payable on the death of the insured persons.

THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2018

6. Investments and properties held for sale:

The Foundation's portfolio investments are managed by an external investment manager in accordance with the Foundation's investment policy. The investment portfolio consists of the following:

	2018	2017
Term deposits held at amortized cost (a)	\$ 12,991,853	\$ 11,682,590
Jarislowsky Fraser Funds at fair value:		
Money market fund (including cash account of \$81,863)	\$ 4,277,365	\$ -
Bond funds	2,414,835	272,703
Equity funds:		
Canadian	172,225	164,355
Foreign	277,684	184,036
	7,142,109	621,094
Properties held for sale (b)	1,700,000	1,700,000
Total Jarislowsky Fraser Funds and properties held for sale	\$ 8,842,109	\$ 2,321,094
Total investments and properties held for sale	\$ 21,833,692	\$ 14,003,684

(a) Term deposits have interest rates of 1.70% to 2.75% (2017 - 1.30% to 1.80%) and maturity dates during the next fiscal year.

(b) In fiscal 2015, the Foundation received two donated properties which were recorded at their assessed fair values of \$1,700,000. As the properties were not in use by the Foundation and was confirmed that there are no health care related uses for Vancouver Coastal Health - Richmond, the properties have been classified as investment properties held for sale. During fiscal 2018, the Foundation entered into an agreement to sell the properties with an expected closing date in October 2018. A deposit of \$1,000,000 was received during fiscal 2018 which has been recorded as deferred revenue as at June 30, 2018. This amount, along with the remaining proceeds, will be recognized upon completion of the sale.

In fiscal 2017, the Foundation appointed a new external investment manager. In fiscal 2018, proceeds from the investments and a portion of the funds from the term deposits were transferred to the new investment manager and revised investment policies as approved by the Board were implemented.

THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2018

7. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 7,714,074	\$ -	\$ 7,714,074	\$ 7,714,074
Artwork	329,150	-	329,150	329,150
Computer hardware/software	74,123	69,426	4,697	6,710
Furniture and fixtures	66,427	45,200	21,227	26,533
Leasehold improvements	22,782	13,853	8,929	11,162
	\$ 8,206,556	\$ 128,479	\$ 8,078,077	\$ 8,087,629

8. Transactions with Vancouver Coastal Health:

During the year, the Foundation made contributions of \$2,102,367 (2017 - \$1,827,365) to Vancouver Coastal Health - Richmond ("Vancouver Coastal"). These contributions include state-of-the-art medical equipment for diagnostic imaging, operating room, mammography, intensive care unit, urology, emergency, and many other areas of care in addition to funding mental health, research and education.

The Foundation charged Vancouver Coastal \$48,000 (2017 - \$48,000) under a property lease extension and amending agreement dated July 1, 2015 and effective until June 30, 2020, related to the use of the Foundation's land asset located on 7080 Westminster Highway, Richmond, British Columbia. This amount is included in other income.

The Foundation has its offices located in premises provided on a rent-free basis by Vancouver Coastal. If these facilities were unavailable on this basis, the Foundation would have to rent similar facilities from another landlord.

The Foundation also receives certain administrative services from Vancouver Coastal, including the use of payroll and benefit administration, housekeeping and information technology support.

Because of the difficulty in determining their fair value, these contributed services and free rent are not recognized in the financial statements.

9. Capital management:

The Foundation receives its principal source of capital through donations, grants, interest and investment income earned on endowment funds. The Foundation defines capital to be net assets which include amounts held in the unrestricted, restricted and endowment funds. In carrying out its purpose, the Foundation regularly distributes its capital through contributions to Vancouver Coastal Health - Richmond in support of capital infrastructure, equipment and programs.

The Foundation is not subject to any other external capital requirements or restrictions. In managing the Foundation operating funds, certain unrestricted funds and capital assets are to be invested for future healthcare needs.

THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2018

10. Internally restricted funds:

Internally restricted funds are comprised of the following:

	2018	2017
Continuing education	\$ 39,380	\$ 52,828
Acute Care Tower	41,815	141,815
VCHRI Research	600,000	-
	<u>\$ 681,195</u>	<u>\$ 194,643</u>

During fiscal 2018, the Board approved an interfund transfer of \$600,000 from the unrestricted fund to the restricted fund. The funds are to be put toward a three-year research enhancement program administered through the Vancouver Coastal Health Research Institute and disbursed at \$200,000 per year.

11. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by the Board.

The Foundation is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Foundation to a fair value risk while the floating rate instruments subject it to cash flow risk. The Foundation is exposed to this risk as a result of investments in term deposits bearing fixed rates of interest. The risk associated with investments is managed through the Foundation's established investment policy.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation has investments in bond and equity funds which are subject to risks arising from changes in market conditions.

The Foundation believes that it is not exposed to significant foreign currency, credit or liquidity risks arising from its financial instruments.

12. Changes in non-cash working capital:

	2018	2017
Accounts and interest receivable	\$ (75,411)	\$ 901,647
Prepaid expenses	17,645	(31,182)
Accounts payable and accrued liabilities	56,185	(7,175)
Deferred revenue	960,050	(1,450)
	<u>\$ 958,469</u>	<u>\$ 861,840</u>

THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2018

13. Commitments:

The Foundation has committed to provide contributions to Vancouver Coastal Health - Richmond for approximately \$2,896,585 (2017 - \$3,396,000) towards capital infrastructure, equipment and programs expected to be paid over the next three years. In addition, the Foundation has committed to provide \$10,130,000 (2017 - \$6,397,000) in restricted donations that it has received for the purpose of construction of a new Acute Care Tower for Richmond Hospital.

14. Employee and contractor remuneration:

For the fiscal year ending June 30, 2018, the Foundation paid total remuneration of \$538,144 (2017 - \$632,626) to four (2017 - five) employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.

In accordance with the bylaws of the Foundation, no remuneration is paid to any Directors of the Foundation during the year.

15. Municipal pension plan:

The Foundation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteesd 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 defined. As at December 31, 2017, the Plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 15 employees of the Foundation (2017 - 15).

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. The next valuation is as at December 31, 2018 with results available in 2019. The actuary does not attribute portions of the funding surplus to individual employers. Employer contributions made by the Foundation to the Plan of \$85,862 (2017 - \$81,245) were expensed during the year.

16. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current period.