

Financial Statements of

**VICTORIA HOSPITALS FOUNDATION**

And Independent Auditors' Report thereon

Year ended March 31, 2019



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## INDEPENDENT AUDITORS' REPORT

To the Members of Victoria Hospitals Foundation

### Report on the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Victoria Hospitals Foundation ("the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes 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 Victoria Hospitals Foundation as at March 31, 2019 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 Audit Opinion***

In common with many charitable organizations, Victoria Hospitals 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 Victoria Hospitals 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, 2019 and March 31, 2018, current assets in the statement of financial position as at March 31, 2019 and March 31, 2018 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, 2019 and March 31, 2018. Our opinion on the financial statements for the year ended March 31, 2018 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 audit opinion.

### ***Responsibilities of Management and Those Charged with Governance 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.

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 and 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 disclosure 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 matter 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 Victoria Hospitals 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

Victoria, Canada  
September 17, 2019

# VICTORIA HOSPITALS FOUNDATION

## Statement of Financial Position

March 31, 2019, with comparative information for 2018

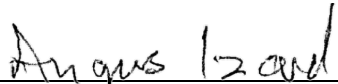
	2019	2018
<b>Assets</b>		
Current assets:		
Cash	\$ 3,704,166	\$ 2,704,229
Prepaid expenses and deposits	74,091	70,843
Other assets	1,764,800	545,859
	<u>5,543,057</u>	<u>3,320,931</u>
Investments (note 2)	12,562,423	11,924,667
	<u>\$ 18,105,480</u>	<u>\$ 15,245,598</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 666,717	\$ 687,263
Disbursements due to Island Health	1,436,773	916,588
Deferred contributions (note 3)	905,023	855,849
	<u>3,008,513</u>	<u>2,459,700</u>
Net assets:		
Unrestricted	14,846,967	12,535,898
Externally restricted	250,000	250,000
	<u>15,096,967</u>	<u>12,785,898</u>
Commitments (notes 4 and 9)		
	<u>\$ 18,105,480</u>	<u>\$ 15,245,598</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

# VICTORIA HOSPITALS FOUNDATION

## Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Donations	\$ 10,462,515	\$ 10,920,552
Gaming revenue, net of prizes awarded (note 6)	667,156	484,823
Sales tax rebate	238,957	294,546
Investment income	559,936	460,875
	<u>11,928,564</u>	<u>12,160,796</u>
Expenses:		
Direct fundraising expenses	704,061	635,854
Public relations expenses	82,584	62,109
Salaries and benefits	1,798,371	1,530,013
Office and administration	237,101	191,039
Professional fees	33,239	26,945
	<u>2,855,356</u>	<u>2,445,960</u>
	9,073,208	9,714,836
Realized gain on investments	18,805	30,433
Change in unrealized gain (loss) on investments (note 2)	127,284	(2,942)
Investment management fees	(49,825)	(38,658)
	<u>96,264</u>	<u>(11,167)</u>
Excess of revenue over expenses before disbursements	9,169,472	9,703,669
Disbursements to Island Health (note 4)	6,858,403	6,174,489
Excess of revenue over expenses after disbursements	<u>\$ 2,311,069</u>	<u>\$ 3,529,180</u>

See accompanying notes to financial statements.

# VICTORIA HOSPITALS FOUNDATION

## Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	Externally restricted	Unrestricted	Total
Net assets, March 31, 2017	\$ 250,000	\$ 9,006,718	\$ 9,256,718
Excess of revenue over expenses before disbursements	-	9,703,669	9,703,669
Disbursements to Island Health	-	(6,174,489)	(6,174,489)
Net assets, March 31, 2018	250,000	12,535,898	12,785,898
Excess of revenue over expenses before disbursements	-	9,169,472	9,169,472
Disbursements to Island Health	-	(6,858,403)	(6,858,403)
Net assets, March 31, 2019	\$ 250,000	\$ 14,846,967	\$ 15,096,967

See accompanying notes to financial statements.

# VICTORIA HOSPITALS FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses before disbursements	\$ 9,169,472	\$ 9,703,669
Items not involving cash:		
Realized gain on investments	(18,805)	(30,433)
Change in unrealized loss (gain) on investments	(127,284)	2,942
Changes in non-cash operating working capital:		
Prepaid expenses and deposits	(3,248)	2,324
Other assets	(1,218,941)	(304,397)
Accounts payable and accrued liabilities	(20,546)	216,433
Deferred contributions	49,174	(72,375)
	<u>7,829,822</u>	<u>9,518,163</u>
Disbursement activities to Island Health:		
Balance due, beginning of year	(916,588)	(10,491)
Disbursements approved and invoiced	(6,858,403)	(6,174,489)
	<u>(7,774,991)</u>	<u>(6,184,980)</u>
Balance due, end of year	<u>1,436,773</u>	<u>916,588</u>
	<u>(6,338,218)</u>	<u>(5,268,392)</u>
	1,491,604	4,249,771
Investing:		
Proceeds of disposal of investments	2,552,509	2,701,830
Purchase of and reinvestment in investments	(3,044,176)	(5,587,972)
	<u>(491,667)</u>	<u>(2,886,142)</u>
Increase in cash	999,937	1,363,629
Cash, beginning of year	2,704,229	1,340,600
Cash, end of year	<u>\$ 3,704,166</u>	<u>\$ 2,704,229</u>
Supplemental cash flow information:		
Offsetting amounts of revenue and expenses totaling \$402,471 (2018 - \$396,169) representing gifts in kind are recognized in these financial statements but did not involve cash.		

See accompanying notes to financial statements.



# VICTORIA HOSPITALS FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

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Victoria Hospitals Foundation (the "Foundation") is incorporated under the Society Act (British Columbia). It is registered as a public foundation under business number 10793 5637 RR0001 with the Canada Revenue Agency.

The Foundation acts as the official fundraising arm for the Royal Jubilee, Victoria General and Gorge Rd. hospitals operated by Island Health. The Foundation receives certain administrative services without charge from Island Health.

Donations received by the Foundation are used to enhance healthcare through equipment purchase, facility enhancement or by assisting in health-related research and education. Donations are not applied to hospital operating expenses.

On November 28, 2016, the new Societies Act (British Columbia) became effective. The Foundation transitioned to the new Societies Act on October 12, 2018.

## 1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

### (a) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions.

- (i) Externally restricted contributions are recognized as revenue in the years in which related disbursements are incurred.
- (ii) Unrestricted contributions, donations and pledged contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions may include donor preferences for areas of care or equipment.
- (iii) Donated materials and services are recognized in the financial statements when a fair value can be reasonably established in the market and when the materials and services are used in the normal course of operations and would otherwise have been purchased.
- (iv) Donations of life insurance policies and charitable remainder trusts are recorded when the funds are received by the Foundation. The cash surrender value of life insurance policies and changes in the cash surrender value are recorded as donation revenue for those policies in which the Foundation is the beneficiary.
- (v) Unrestricted investment income is recognized as revenue when it is earned and includes interest income, dividends, gains or losses on disposal of investments and unrealized gains or losses. Investment income restricted in use is initially recorded as deferred contributions and subsequently recognized as revenue when the related disbursements are incurred.
- (vi) Endowment contributions are recorded as direct increases in externally restricted net assets.

# VICTORIA HOSPITALS FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

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## 1. Significant accounting policies (continued):

### (b) Life insurance policies:

The Foundation is owner and beneficiary of various life insurance policies. The cash surrender value of these policies is reflected in other assets on the statement of financial position. The annual change in the aggregate cash value is recorded as other revenue.

### (c) Charitable remainder trusts:

The Foundation has been named the capital beneficiary under charitable remainder trust arrangements. The Foundation's capital interests are actuarially valued at the time the trust arrangements are established. A receipt for income tax purposes is issued at that time based on the valuation. Due to the inability to accurately predict the timing of the future asset transfers, the Foundation records the revenue and assets received upon the death of the donor and receipt of the assets.

### (d) Recognition of disbursements to Island Health:

Disbursements to Island Health are recorded when the purchase of equipment has been approved and invoiced to the Foundation.

### (e) Employee benefits:

Sick leave is available to the Foundation's employees. The costs of the sick leave benefits are estimated based on service and best estimates of terms to retirement or termination and expected future salary and wage increases. The sick leave obligation is accrued based on projected benefits as the employees render services necessary to earn the future benefits.

The Foundation and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

### (f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value and all changes in the fair value are recognized in the statement of operations in the period incurred. 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 investments subsequently at fair value and all other financial instruments subsequently at cost.

# VICTORIA HOSPITALS FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

## 1. Significant accounting policies (continued):

### (f) Financial instruments (continued):

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 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.

### (g) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the year. Actual results could differ from those estimates.

## 2. Investments:

The major components of investments are as follows:

March 31, 2019	Market	Cost	Unrealized gain
Cash and equivalents	\$ 333,791	\$ 333,791	\$ -
Bond funds	3,152,980	3,086,204	66,776
Canadian equity funds	1,742,243	1,351,228	391,015
US Equity funds	1,385,037	913,124	471,913
Foreign equity funds	1,224,961	1,044,431	180,530
Fixed Income Portfolio	4,723,411	4,746,516	(23,105)
	\$ 12,562,423	\$ 11,475,294	\$ 1,087,129

# VICTORIA HOSPITALS FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

## 2. Investments (continued):

March 31, 2018	Market	Cost	Unrealized gain (loss)
Cash and equivalents	\$ 270,457	\$ 270,457	\$ -
Bond funds	2,898,005	2,861,204	36,801
Canadian equity funds	1,575,489	1,262,052	313,437
US Equity funds	1,357,324	953,124	404,200
Foreign equity funds	1,296,148	1,029,431	266,717
Fixed Income Portfolio	4,527,244	4,588,554	(61,310)
	<u>\$ 11,924,667</u>	<u>\$ 10,964,822</u>	<u>\$ 959,845</u>

## 3. Deferred contributions:

Deferred contributions represent externally restricted donations received, but not yet disbursed. Changes in the deferred contributions balance are as follows:

	2019	2018
Balance, beginning of year	\$ 855,849	\$ 928,224
Add externally restricted donations received in the current year	72,082	75,589
Deduct externally restricted amounts recognized as revenue in the current year	(22,908)	(147,964)
Balance, end of year	<u>\$ 905,023</u>	<u>\$ 855,849</u>

## 4. Commitments:

The Foundation has a policy of disbursing funds to Island Health once an invoice for equipment has been received. There can be a long and unpredictable timeline from the date of commitment to the time of invoicing due to equipment trial periods and delivery times. Pledges are not included in the commitments listing.

# VICTORIA HOSPITALS FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

## 4. Commitments (continued):

The following is a summary of commitments made and invoices recognized during the year:

Area of care	Cumulative commitments outstanding at March 31, 2018	Commitments made during the fiscal year	Approved and invoiced during the fiscal year	Cumulative commitments outstanding at March 31, 2019
Adult Intensive Care	\$ 6,696	\$ 128,886	\$ 126,272	\$ 9,310
Cancer Care	-	-	-	-
Cardiac Care	843,304	409,968	890,104	363,168
Diagnostic Services	2,997,440	410,385	1,925,157	1,482,670
Education	985,753	36,058	105,798	916,013
Emergency & Trauma Care	32,879	147,295	163,459	16,715
General Medicine	28,220	3,062,752	875,093	2,215,879
Maternity & Pediatric Care	49,657	176,728	186,008	40,377
Mental Health	6,290	127,918	89,930	44,278
Neurosciences & Rehabilitation	48,973	106,670	108,775	46,868
Patient Care Centre	-	5,105	-	5,105
Research	372,063	617,626	989,689	-
Seniors Health	80,000	56,530	47,096	89,434
Special Projects	136,768	187,496	320,328	3,936
Surgical Services	7,182	1,225,703	1,030,694	202,191
<b>Balance, end of year</b>	<b>\$ 5,595,225</b>	<b>\$ 6,699,120</b>	<b>\$ 6,858,403</b>	<b>\$ 5,435,944</b>

## 5. Donations of life insurance and charitable remainder trusts:

The Foundation has been named owner and beneficiary of \$21,325 in life insurance policies (2018 - \$21,325). The annual premiums are treated as donations from the insured parties. Donation income and premium expense in the amount of \$752 (2018 - \$752) are reflected in the financial statements. The cash surrender value of the policies of \$19,037 (2018 - \$17,697) is included in other assets on the statement of financial position.

As described in note 1(c), the Foundation is a named capital beneficiary of charitable remainder trusts having a net present value, actuarially determined at the time the trusts were established, of \$170,350 (2018 - \$170,350). The Foundation will realize and record its interest in these trusts at their then fair value upon termination of the income interests as provided in the trust documents.

## 6. Gaming revenue:

Gaming revenue includes a 50/50 raffle draw with hospital staff, event raffles and amounts from other organizations that raise funds on the Foundation's behalf. Gross revenue was \$1,331,361 (2018 - \$945,358), and prizes of \$664,205 (2018 - \$460,535) were awarded during the year.

# VICTORIA HOSPITALS FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

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## 7. Municipal Pension Plan:

The Foundation and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 193,000 active members and approximately 90,000 retired members.

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 as at 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.

The Foundation paid \$113,090 for employer contributions to the Plan in 2019 (2018 - \$113,323).

## 8. Financial risks and concentration of credit risk:

The Foundation is exposed to interest, currency or credit risks arising from its financial instruments. Risks related to market value fluctuation of investments are mitigated by the Foundation's investment policies regarding portfolio mix. Investments are purchased and sold during the year to comply with the Foundation's Board approved investment policy regarding permitted asset mix. The market value and composition of investments is disclosed in note 2.

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no changes to the risk exposures from 2018.

## 9. Other information:

American Friends of the Victoria Hospitals Foundation ("AFVHF") is a US non-profit corporation that qualifies as a charity under US tax law. It is an organization which benefits areas of interest to the Foundation including medical and scientific research and education activities, promoting wellness and the care of the sick and disabled. During the year, the Foundation received a donation from American Friends of the Victoria Hospitals Foundation for \$nil (2018 - \$11,300 USD). The Foundation has an administrative operating agreement with the American Friends of the Victoria Hospitals Foundation. During the year, the Board approved to pay for operating costs of AFVHF up to \$4,000 USD. During the year, the Foundation directly paid operating costs of \$49 (2018 - \$2,551) USD, while AFVHF paid operating costs of \$4,257 (2019 - \$1,965) USD.

# VICTORIA HOSPITALS FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

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## **10. Employee and contractor remuneration:**

The BC Societies Act came into effect on November 28, 2016. The Act has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors for financial statements prepared after November 28, 2016.

For employee and contractor remuneration the requirement is to disclose amounts paid to individuals whose remuneration, including salaries and benefits, was greater than \$75,000. For the fiscal year ending March 31, 2019, the Foundation paid remuneration, including salaries and benefits, to four (4) employees (2018 - five employees) each of whom received total annual remuneration of \$75,000 or greater; and the total amount paid was \$475,996 (2018 - \$537,174).

## **11. Comparative information:**

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