

Financial Statements of

VICTORIA HOSPITALS FOUNDATION

And Independent Auditors' Report thereon

Year ended March 31, 2020



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITORS' REPORT

To the Members of Victoria Hospitals Foundation

Report on the Financial Statements

Opinion

We have audited the financial statements of Victoria Hospitals 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 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, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, 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.

Basis for Opinion

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 opinion.

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in the Annual Report.



Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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 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 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 29, 2020

VICTORIA HOSPITALS FOUNDATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 2,803,349	\$ 3,704,166
Prepaid expenses and deposits	82,255	74,091
Other assets	869,765	1,764,800
	<u>3,755,369</u>	<u>5,543,057</u>
Investments (note 2)	12,206,573	12,562,423
	<u>\$ 15,961,942</u>	<u>\$ 18,105,480</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 787,457	\$ 666,717
Disbursements due to Island Health	864,578	1,436,773
Deferred contributions (note 3)	885,626	905,023
	<u>2,537,661</u>	<u>3,008,513</u>
Net assets:		
Unrestricted	13,174,281	14,846,967
Externally restricted	250,000	250,000
	<u>13,424,281</u>	<u>15,096,967</u>
Commitments (notes 4 and 9)		
	<u>\$ 15,961,942</u>	<u>\$ 18,105,480</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, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Donations	\$ 7,630,287	\$ 10,446,515
Gaming revenue, net of prizes awarded (note 6)	823,813	683,156
Sales tax rebate	291,794	238,957
Investment income	626,133	559,936
	<u>9,372,027</u>	<u>11,928,564</u>
Expenses:		
Direct fundraising expenses	764,196	704,061
Public relations expenses	100,889	82,584
Salaries and benefits	2,080,549	1,798,371
Office and administration	302,483	237,101
Professional fees	112,709	33,239
	<u>3,360,826</u>	<u>2,855,356</u>
	6,011,201	9,073,208
Income (loss) from investments measured at fair value (note 2):		
Realized gain (loss)	(1,894)	18,805
Unrealized gain (loss)	(821,331)	127,284
Management fees	(52,222)	(49,825)
	<u>(875,447)</u>	<u>96,264</u>
Excess of revenue over expenses before disbursements	5,135,754	9,169,472
Disbursements to Island Health (note 4)	6,808,440	6,858,403
Excess (deficiency) of revenue over expenses after disbursements	\$ (1,672,686)	\$ 2,311,069

See accompanying notes to financial statements.

VICTORIA HOSPITALS FOUNDATION

Statement of Changes in Net Assets

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

	Externally restricted	Unrestricted	Total
Net assets, April 1, 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
Excess of revenue over expenses before disbursements	-	5,135,754	5,135,754
Disbursements to Island Health	-	(6,808,440)	(6,808,440)
Net assets, March 31, 2020	\$ 250,000	\$ 13,174,281	\$ 13,424,281

See accompanying notes to financial statements.

VICTORIA HOSPITALS FOUNDATION

Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses before disbursements	\$ 5,135,754	\$ 9,169,472
Items not involving cash:		
Realized loss (gain) on investments	1,894	(18,805)
Change in unrealized loss (gain) on investments	821,331	(127,284)
Changes in non-cash operating working capital:		
Prepaid expenses and deposits	(8,164)	(3,248)
Other assets	895,035	(1,218,941)
Accounts payable and accrued liabilities	120,740	(20,546)
Deferred contributions	(19,397)	49,174
	6,947,193	7,829,822
Disbursement activities to Island Health:		
Balance due, beginning of year	(1,436,773)	(916,588)
Disbursements approved and invoiced	(6,808,440)	(6,858,403)
	(8,245,213)	(7,774,991)
Balance due, end of year	864,578	1,436,773
	(7,380,635)	(6,338,218)
	(433,442)	1,491,604
Investing:		
Proceeds of disposal of investments	141,601	2,552,509
Purchase of and reinvestment in investments	(608,976)	(3,044,176)
	(467,375)	(491,667)
Increase (decrease) in cash	(900,817)	999,937
Cash, beginning of year	3,704,166	2,704,229
Cash, end of year	\$ 2,803,349	\$ 3,704,166

Supplemental cash flow information:

Offsetting amounts of revenue and expenses totaling \$490,615 (2019 - \$411,367) 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, 2020

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.

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The ultimate duration and magnitude of the impact on the economy and the financial effect on the Foundation is not known at this time. These impacts could include impairment of other assets, impairments in the value of our investments and future decreases in revenue.

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.

VICTORIA HOSPITALS FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

(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.

(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. Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when due and payable

VICTORIA HOSPITALS FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

(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.

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.

(h) Change in accounting policies:

In March 2018, the Accounting Standards Board issued "*Basis for Conclusions – Accounting Standards Improvements for Not-for-Profit Organizations*" resulting in the introduction of three new handbook sections in Canadian accounting standards for not-for-profit organizations:

- Section 4433 *Tangible capital assets held by not-for-profit organizations*, Section 4434 *Intangible assets held by not-for-profit organizations* and Section 4441 *Collections held by not-for-profit organizations*.

The amendments are effective for financial statements with fiscal years beginning on or after January 1, 2019. Management has considered the application of the aforementioned new accounting standards and the implementation of these changes had no impact on the Foundation's financial statements.

VICTORIA HOSPITALS FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

2. Investments:

The major components of investments are as follows:

March 31, 2020	Market	Cost	Unrealized gain (loss)
Cash and equivalents	\$ 380,780	\$ 380,780	\$ -
Bond funds	3,211,808	3,221,204	(9,396)
Canadian equity funds	1,493,833	1,411,228	82,605
US Equity funds	1,307,326	913,124	394,202
Foreign equity funds	1,108,447	1,104,431	4,016
Fixed income	4,704,379	4,910,008	(205,629)
	<u>\$ 12,206,573</u>	<u>\$ 11,940,775</u>	<u>\$ 265,798</u>

March 31, 2019	Market	Cost	Unrealized gain (loss)
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	4,723,411	4,746,516	(23,105)
	<u>\$ 12,562,423</u>	<u>\$ 11,475,294</u>	<u>\$ 1,087,129</u>

3. Deferred contributions:

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

	2020	2019
Balance, beginning of year	\$ 905,023	\$ 855,849
Add externally restricted donations received in the current year	34,290	72,082
Deduct externally restricted amounts recognized as revenue in the current year	(53,688)	(22,908)
Balance, end of year	<u>\$ 885,625</u>	<u>\$ 905,023</u>

VICTORIA HOSPITALS FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

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.

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

Area of care	Cumulative commitments outstanding at March 31, 2019	Commitments made during the fiscal year	Approved and invoiced during the fiscal year	Cumulative commitments outstanding at March 31, 2020
Adult Intensive Care	\$ 9,310	30,000	39,310	-
Cancer Care	-	315,933	315,933	-
Cardiac Care	363,168	261,462	409,943	214,687
Diagnostic Services	1,482,670	543,063	1,617,876	407,857
Education	916,013	47,138	89,338	873,813
Emergency & Trauma Care	16,715	48,362	62,517	2,560
General Medicine	2,215,879	53,118	2,011,604	257,393
Maternity & Pediatric Care	40,377	2,013,133	196,229	1,857,281
Mental Health	44,278	61,254	76,473	29,059
Neurosciences & Rehabilitation	46,868	193,530	240,398	-
Patient Care Centre	5,105	-	-	5,105
Research	-	454,141	454,141	-
Seniors Health	89,434	12,797	102,230	-
Special Projects	3,936	193,907	30,571	167,272
Surgical Services	202,191	1,595,984	1,161,877	636,298
Balance, end of year	\$ 5,435,944	5,823,822	6,808,440	4,451,325

5. Donations of life insurance and charitable remainder trusts:

The Foundation has been named owner and beneficiary of \$21,325 in life insurance policies (2019 - \$21,325). The annual premiums are treated as donations from the insured parties. Donation income and premium expense in the amount of \$752 (2019 - \$752) are reflected in the financial statements. The cash surrender value of the policies of \$20,277 (2019 - \$19,037) 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 (2019 - \$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 \$1,628,925 (2019 - \$1,347,361), and prizes of \$805,112 (2019 - \$664,205) were awarded during the year.

VICTORIA HOSPITALS FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

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 administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2018, the plan has about 205,000 active members and approximately 101,000 retired members.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent actuarial valuation as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The next valuation will be as at December 31, 2021 with results available in 2022.

The Foundation paid \$130,354 for employer contributions to the Plan in 2020 (2019 - \$113,090).

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 2019.

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 (2019 - \$nil). 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 \$4,500 USD. During the year, the Foundation directly paid operating costs of \$31 (2019 - \$49) USD, while AFVHF paid operating costs of \$4,257 (2019 - \$4,257) USD.

VICTORIA HOSPITALS FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

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, 2020, the Foundation paid remuneration, including salaries and benefits, to seven (7) employees (2019 - four (4) employees) each of whom received total annual remuneration of \$75,000 or greater; and the total amount paid was \$805,461 (2019 - \$475,996).

11. Comparative information:

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