

Financial Statements of

**THE RICHMOND HOSPITAL  
FOUNDATION**

Year ended June 30, 2016



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## 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, 2016, 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, 2016 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 Society 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

November 15, 2016  
Burnaby, Canada

# THE RICHMOND HOSPITAL FOUNDATION

## Statement of Financial Position

June 30, 2016, with comparative information for 2015

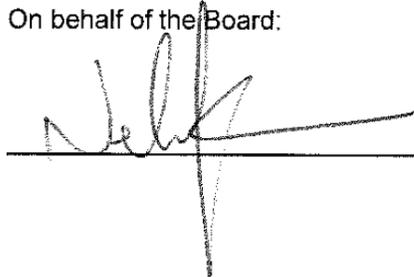
	2016	2015
<b>Assets</b>		
Current assets:		
Cash	\$ 328,680	\$ 623,342
Term deposits (note 6)	7,211,851	6,101,831
Accounts and interest receivable (note 3)	994,677	83,357
Prepaid expenses	27,485	49,704
	<u>8,562,693</u>	<u>6,858,234</u>
Charitable remainder trust (note 4)	100,000	100,000
Life insurance policies (note 5)	50,502	49,272
Investments (note 6)	2,192,631	2,223,173
Capital assets (note 7)	8,070,372	7,740,949
	<u>\$ 18,976,198</u>	<u>\$ 16,971,628</u>

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 68,440	\$ 49,490
Deferred revenue	67,000	99,000
	<u>135,440</u>	<u>148,490</u>
Fund balances:		
Unrestricted funds (note 9):		
Operating	4,881,199	4,643,476
Capital asset	8,070,372	7,740,949
	<u>12,951,571</u>	<u>12,384,425</u>
Restricted funds	5,352,464	3,882,353
Endowment funds	536,723	556,360
	<u>5,889,187</u>	<u>4,438,713</u>
	<u>18,840,758</u>	<u>16,823,138</u>
Commitment (note 13)		
	<u>\$ 18,976,198</u>	<u>\$ 16,971,628</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# THE RICHMOND HOSPITAL FOUNDATION

## Statement of Operations and Changes in Fund Balances

Year ended June 30, 2016, with comparative information for 2015

	Unrestricted funds	Restricted funds	Endowment funds	2016	2015
<b>Revenue:</b>					
Donations and fundraising events	\$ 2,077,851	\$ 2,984,880	\$ -	\$ 5,062,731	\$ 5,276,101
Interest, gaming and other income (note 8)	173,688	5,728	-	179,416	148,298
Investment income earned on endowment funds	-	34,979	-	34,979	31,746
Unrealized gain (loss) on endowment funds investments	-	-	(19,637)	(19,637)	5,674
Gift of health administrative fees	54,970	(54,970)	-	-	-
Gifts-in-kind	720,411	-	-	720,411	504,973
	3,026,920	2,970,617	(19,637)	5,977,900	5,966,792
<b>Expenses:</b>					
Advertising and promotion	71,396	-	-	71,396	108,617
Amortization	7,524	-	-	7,524	8,851
Audit and accounting	17,897	-	-	17,897	16,374
Bank charges	31,535	-	-	31,535	32,829
Board expenses	2,805	-	-	2,805	2,635
Capital campaign	32,058	-	-	32,058	64,073
Donor recognition	102,514	-	-	102,514	105,229
Estate gift of land expenses	9,766	-	-	9,766	39,019
Event expenses	499,132	-	-	499,132	416,500
Mailing and other fundraising	162,928	9,115	-	172,043	182,172
Office and miscellaneous	60,919	10,299	-	71,218	59,448
Professional development	7,737	-	-	7,737	8,718
Professional fees	1,276	-	-	1,276	1,330
Salaries and benefits	961,026	-	-	961,026	920,644
Gifts-in-kind	391,261	-	-	391,261	504,973
	2,359,774	19,414	-	2,379,188	2,471,412
Excess (deficiency) of revenue over expenses before undernoted	667,146	2,951,203	(19,637)	3,598,712	3,495,380
Funds provided to Vancouver Coastal Health - Richmond (note 8)	-	(1,581,092)	-	(1,581,092)	(3,184,866)
Excess (deficiency) of revenue over expenses and contributions	667,146	1,370,111	(19,637)	2,017,620	310,514
Fund balances, beginning of year	12,384,425	3,882,353	556,360	16,823,138	16,512,624
Interfund transfer (note 10)	(100,000)	100,000	-	-	-
Fund balances, end of year	\$ 12,951,571	\$ 5,352,464	\$ 536,723	\$ 18,840,758	\$ 16,823,138

See accompanying notes to financial statements.

# THE RICHMOND HOSPITAL FOUNDATION

## Statement of Cash Flows

Year ended June 30, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses and contributions	\$ 2,017,620	\$ 310,514
Adjustments for:		
Donation revenue for investment properties received	-	(1,700,000)
Donation revenue for artwork received	(329,150)	-
Amortization	7,524	8,851
Unrealized loss (gain) on endowment funds	19,637	(5,674)
Change in cash surrender value of life insurance policies	(1,230)	1,287
Changes in non-cash working capital (note 12)	(902,151)	76,063
	812,250	(1,308,959)
Investing:		
Purchase of capital assets	(7,797)	(1,459)
Redemption of investments	10,905	11,499
Redemption (purchase) of term deposits	(1,110,020)	1,033,060
	(1,106,912)	1,043,100
Decrease in cash	(294,662)	(265,859)
Cash, beginning of year	623,342	889,201
Cash, end of year	\$ 328,680	\$ 623,342

Cash includes gaming funds of \$10,101 (2015 - \$15,131).

See accompanying notes to financial statements.

# THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended June 30, 2016

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## 1. Operations:

The Richmond Hospital Foundation (the "Foundation") is a charitable foundation, incorporated on June 20, 1987 under the Society Act (British Columbia). 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 the 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:

Unrestricted funds:

### (i) 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.

### (ii) Capital asset fund:

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

Restricted funds consist of multiple funds designated for specific purposes, either externally restricted by donors or internally restricted as approved by the Board.

# THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

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## 2. Significant accounting policies (continued):

### (a) Fund accounting (continued):

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

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.

# THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

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## 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.

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 of 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, 2016

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## 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 14).

### (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:

Included in accounts and interest receivable is \$900,000 related to a grant receivable outstanding as at June 30, 2016 and was collected subsequent to 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 and 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 \$225,502 (2015 - \$224,272) and will be payable on the death of the insured persons.

# THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

## 6. Investments and term deposits:

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:

	2016	2015
Term deposits held at amortized cost (a)	\$ 7,211,851	\$ 6,101,831
Bond funds held at fair value	\$ 200,247	\$ 190,101
Equity funds held at fair value:		
Canadian	151,136	226,605
Foreign	141,248	106,467
	492,631	523,173
Property held for investment (b)	1,700,000	1,700,000
<b>Total investments</b>	<b>\$ 2,192,631</b>	<b>\$ 2,223,173</b>
<b>Total investments and term deposits</b>	<b>\$ 9,404,482</b>	<b>\$ 8,325,004</b>

(a) Term deposits have interest rates of 1.40% to 1.85% (2015 - 1.40% to 2.00%) 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 are not currently in use and are held by the Foundation for a future capital campaign, the properties have been classified as investment properties. The carrying value will be subject to assessment of future impairment indicators and reevaluated as required.

## 7. Capital assets:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 7,714,074	\$ -	\$ 7,714,074	\$ 7,714,074
Artwork	329,150	-	329,150	-
Computer hardware/software	74,124	64,537	9,587	13,695
Furniture and fixtures	50,786	35,216	15,570	10,692
Leasehold improvements	12,150	10,159	1,991	2,488
	<b>\$ 8,180,284</b>	<b>\$ 109,912</b>	<b>\$ 8,070,372</b>	<b>\$ 7,740,949</b>

# THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

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## **8. Transactions with Vancouver Coastal Health:**

During the year, the Foundation made contributions of \$1,581,092 (2015 - \$3,184,866) to Vancouver Coastal Health - Richmond ("Vancouver Coastal"). These contributions include state-of-the-art medical equipment for diagnostic imaging, operating room, pediatrics, gastroenterology, urology, emergency, and many other areas of care in addition to funding mental health, research and education.

The Foundation charged Vancouver Coastal \$48,000 (2015 - \$45,000) 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.

## **10. Interfund transfer:**

During fiscal 2016, the Board approved an interfund transfer of \$100,000 from the unrestricted fund to the restricted fund for the Acute Care Tower. The money will be used as a contribution toward the cost of the first phase of the planning work required for a new Acute Care Tower.

# THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

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## 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:

	2016	2015
Accounts and interest receivable	\$ (911,320)	\$ 10,571
Prepaid expenses	22,219	4,822
Accounts payable and accrued liabilities	18,950	(1,330)
Deferred revenue	(32,000)	62,000
	<hr/>	<hr/>
	\$ (902,151)	\$ 76,063

## 13. Commitment:

The Foundation has committed to provide contributions to Vancouver Coastal Health - Richmond for approximately \$2,232,000 (2015 - \$620,000) towards capital infrastructure, equipment and programs expected to be paid over the next three years.

# THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

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## 14. Municipal pension plan:

The Foundation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustees 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, 2015, the Plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 12 employees of the Foundation (2015 – 10).

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 \$67,781 (2015 - \$64,278) were expensed during the year.

## 15. Comparative figures:

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