

Financial Statements of

**THE RICHMOND HOSPITAL
FOUNDATION**

Year ended June 30, 2015



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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, 2015, 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 qualified audit opinion.



Basis for Qualified Opinion

In common with many charitable organizations, the Richmond Hospital Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of The Richmond Hospital Foundation. Therefore, we were not able to determine whether, as at and for the years ended June 30, 2015 and June 30, 2014, any adjustments might be necessary to donation revenues and excess (deficiency) of revenue over expenses and contributions reported in the statement of operations and changes in fund balances and statement of cash flows, and current assets and fund balances reported in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended June 30, 2014.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Richmond Hospital Foundation as at June 30, 2015 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.

KPMG LLP

Chartered Professional Accountants

November 17, 2015
Burnaby, Canada

THE RICHMOND HOSPITAL FOUNDATION

Statement of Financial Position

June 30, 2015, with comparative information for 2014

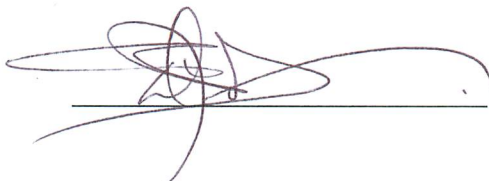
	2015	2014
Assets		
Current assets:		
Cash	\$ 623,342	\$ 889,201
Term deposits (note 5)	6,101,831	7,134,891
Accounts and interest receivable	83,357	93,928
Prepaid expenses	49,704	54,526
	<u>6,858,234</u>	<u>8,172,546</u>
Charitable remainder trust (note 3)	100,000	100,000
Life insurance policies (note 4)	49,272	50,559
Investments (note 5)	2,223,173	528,998
Capital assets (note 6)	7,740,949	7,748,341
	<u>\$ 16,971,628</u>	<u>\$ 16,600,444</u>

Liabilities and Fund Balances

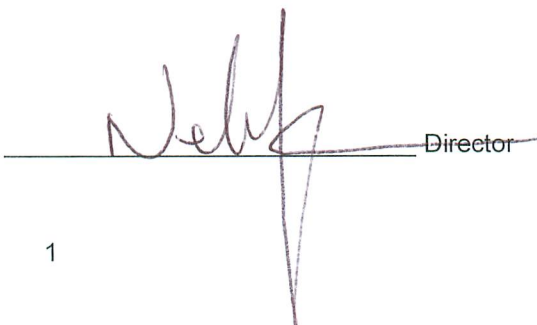
Current liabilities:		
Accounts payable and accrued liabilities	\$ 49,490	\$ 50,820
Deferred revenue	99,000	37,000
	<u>148,490</u>	<u>87,820</u>
Fund balances:		
Unrestricted funds (note 8):		
Operating	4,643,476	2,820,392
Capital asset	7,740,949	7,748,341
	<u>12,384,425</u>	<u>10,568,733</u>
Restricted funds	3,882,353	5,393,205
Endowment funds	556,360	550,686
	<u>4,438,713</u>	<u>5,943,891</u>
	<u>16,823,138</u>	<u>16,512,624</u>
Commitment (note 12)		
	<u>\$ 16,971,628</u>	<u>\$ 16,600,444</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, 2015, with comparative information for 2014

	Unrestricted funds	Restricted funds	Endowment funds	2015	2014
Revenue:					
Donations and fundraising events	\$ 3,661,276	\$ 1,614,825	\$ -	\$ 5,276,101	\$ 5,759,548
Interest, gaming and other income	128,707	19,591	-	148,298	174,746
Investment income earned on endowment funds	-	31,746	-	31,746	18,518
Unrealized gain on endowment funds investments	-	-	5,674	5,674	71,753
Gift of health administrative fees	35,995	(35,995)	-	-	-
Gifts-in-kind	504,973	-	-	504,973	407,457
	4,330,951	1,630,167	5,674	5,966,792	6,432,022
Expenses:					
Advertising and promotion	108,617	-	-	108,617	119,953
Amortization	8,851	-	-	8,851	8,809
Audit and accounting	16,374	-	-	16,374	15,682
Bank charges	32,829	-	-	32,829	25,531
Board expenses	2,635	-	-	2,635	3,026
Capital campaign	64,073	-	-	64,073	-
Donor recognition	105,229	-	-	105,229	73,392
Estate gift of land expenses	39,019	-	-	39,019	-
Event expenses	416,500	-	-	416,500	365,004
Mailing and other fundraising	161,907	10,133	-	172,040	140,989
Office and miscellaneous	48,560	10,888	-	59,448	74,524
Professional development	8,718	-	-	8,718	7,346
Professional fees	1,330	-	-	1,330	3,596
Salaries and benefits	920,644	-	-	920,644	867,584
Gifts-in-kind	504,973	-	-	504,973	407,457
	2,440,259	21,021	-	2,461,280	2,112,893
Excess of revenue over expenses before undernoted	1,890,692	1,609,146	5,674	3,505,512	4,319,129
Funds provided to Vancouver Coastal Health - Richmond (note 7)	-	(3,194,998)	-	(3,194,998)	(4,907,724)
Excess (deficiency) of revenue over expenses and contributions	1,890,692	(1,585,852)	5,674	310,514	(588,595)
Fund balances, beginning of year	10,568,733	5,393,205	550,686	16,512,624	17,101,219
Interfund transfer (note 9)	(75,000)	75,000	-	-	-
Fund balances, end of year	\$ 12,384,425	\$ 3,882,353	\$ 556,360	\$ 16,823,138	\$ 16,512,624

See accompanying notes to financial statements.

THE RICHMOND HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses and contributions	\$ 310,514	\$ (588,595)
Adjustments for:		
Donation revenue for investment properties received	(1,700,000)	-
Amortization	8,851	8,809
Unrealized gain on endowment funds	(5,674)	(71,753)
Change in cash surrender value of life insurance policies	1,287	1,473
Changes in non-cash working capital (note 11)	76,063	(83,107)
	(1,308,959)	(733,173)
Investing:		
Purchase of capital assets	(1,459)	(15,424)
Redemption of investments	11,499	10,735
Redemption of term deposits	1,033,060	(134,891)
	1,043,100	(139,580)
Decrease in cash and cash equivalents	(265,859)	(872,753)
Cash, beginning of year	889,201	1,761,954
Cash, end of year	\$ 623,342	\$ 889,201

Cash includes gaming funds of \$15,131 (2014 - \$9,697).

See accompanying notes to financial statements.

THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended June 30, 2015

1. Operations:

The Richmond Hospital Foundation (the "Foundation") is a charitable foundation, incorporated on June 20, 1987 under the Society Act of 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 by the board/management.

THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2015

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.

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.

(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 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.

THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2015

2. Significant accounting policies (continued):

(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 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.

(f) Future employee benefits (note 13):

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.

(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 (note 6) and the net present value of the charitable remainder trust (note 3). Actual results could differ from those estimates.

THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2015

2. Significant accounting policies (continued):

(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. 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.

4. 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 \$224,272 (2014 - \$225,559) and will be payable on the death of the insured persons.

5. 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:

	2015	2014
Term deposits held at amortized cost (a)	\$ 6,101,831	\$ 7,134,891
Bond funds held at fair value	\$ 190,101	\$ 189,778
Equity funds held at fair value:		
Canadian	226,605	247,808
Foreign	106,467	91,412
	523,173	528,998
Property held for investment (b)	1,700,000	-
Total investments	\$ 2,223,173	\$ 528,998
Total Investments and term deposits	\$ 8,325,004	\$ 7,663,889

(a) Term deposits have interest rates of 1.40% to 2.00% (2014 - 1.75% to 2.00%) and maturity dates during the next fiscal year.

THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2015

5. Investments and term deposits (continued):

(b) In the current year, the Foundation received a donation of 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 to replace the Richmond Hospital North Tower, the properties have been classified as investment properties. The carrying value will be subject to assessment of future impairment indicators and reevaluated as required.

6. Capital assets:

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Land	\$ 7,714,074	\$ -	\$ 7,714,074	\$ 7,714,074
Computer hardware/software	74,123	60,428	13,695	17,792
Furniture and fixtures	42,990	32,298	10,692	13,365
Leasehold improvements	12,150	9,662	2,488	3,110
	<u>\$ 7,843,337</u>	<u>\$ 102,388</u>	<u>\$ 7,740,949</u>	<u>\$ 7,748,341</u>

7. Transactions with Vancouver Coastal Health:

During the year, the Foundation made contributions of \$3,194,999 (2014 - \$4,907,724) to Vancouver Coastal Health - Richmond ("Vancouver Coastal"). These contributions include a number of major projects such as the hospital atrium and wayfinding capital infrastructure, and other state-of-the-art medical equipment for the emergency, intensive care unit, birth centre, operating rooms, and many other areas of care.

The Foundation charged Vancouver Coastal Health \$45,000 (2014 - \$45,000) under a property lease agreement (effective June 1, 2003) related to the use of the Foundation's land asset located on 7080 Westminster Highway, Richmond, British Columbia.

The Foundation has its office 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 the 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.

THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2015

8. 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 capital infrastructure.

9. Interfund transfer:

During fiscal 2015, the Foundation received \$75,000 (2014 - \$25,000) from a donor for the Continuing Education Fund. The Board has elected to match the donation and hence, an interfund transfer for \$75,000 (2014 - \$25,000) was recorded from the unrestricted fund to the restricted fund.

10. 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, notes and investment certificates. 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 risk arising from its financial instruments.

11. Changes in non-cash working capital:

	2015	2014
Accounts and interest receivable	\$ 10,571	\$ (8,258)
Prepaid expenses	4,822	(28,769)
Accounts payable and accrued liabilities	(1,330)	(23,280)
Deferred revenue	62,000	(22,800)
	\$ 76,063	\$ (83,107)

THE RICHMOND HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2015

12. Commitment:

The Foundation has committed to provide contributions to Vancouver Coastal Health - Richmond for approximately \$620,000 (2014 - \$2,500,000) towards capital infrastructure, equipment and programs expected to be paid in the coming fiscal year.

13. 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 defined. The plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 10 employees of the Foundation (2014 – 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, 2012 indicated an unfunded liability of \$1.370 billion for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. The actuary does not attribute portions of the unfunded liability to individual employers. Employer contributions made by the Foundation to the Plan of \$64,278 (2014 - \$54,915) were expensed during the year.

14. Comparative figures:

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