

Financial Statements of

BURNABY HOSPITAL FOUNDATION

And Independent Auditors' Report thereon

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Trustees of Burnaby Hospital Foundation:

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of Burnaby Hospital 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 accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.



Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at end of 2019 and end of 2018
- the donation revenue and excess of revenues over expenses reported in the statements of operations for the years ended end of 2019 and end of 2018
- the net asset balances, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended end of 2019 and 2018.
- the excess of revenues over expenses reported in the statements of cash flows for the years ended end of 2019 and end of 2018.

Our opinion on the financial statements for the year ended end of 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 disclosures 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 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 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 manner 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.



Reporting on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
September 10, 2019

BURNABY HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 726,763	\$ 575,268
Accounts receivable	80,747	67,835
Prepaid expenses	26,502	10,861
	<u>834,012</u>	<u>653,964</u>
Investments (note 3)	5,609,466	4,977,221
	<u>\$ 6,443,478</u>	<u>\$ 5,631,185</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 54,173	\$ 29,541
Due to Fraser Health Authority (note 9)	36,339	90,341
	<u>90,512</u>	<u>119,882</u>
Net assets:		
Unrestricted	1,429,347	1,408,520
Internally restricted (note 4)	500,000	1,150,000
Externally restricted (note 5)	4,311,898	2,841,062
Endowment (note 6)	111,721	111,721
	<u>6,352,966</u>	<u>5,511,303</u>
Commitment (note 8)		
	<u>\$ 6,443,478</u>	<u>\$ 5,631,185</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

BURNABY HOSPITAL FOUNDATION

Statement of Operations

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

	Restricted Funds				2019 Total	2018 Total
	Unrestricted Fund	Designated Funds	Specified Funds	Externally Restricted Total		
Revenue:						
Donations	\$ 887,012	\$ 119,186	\$ 1,548,480	\$ 1,667,666	\$ 2,554,678	\$ 1,936,425
Investment income (note 7)	422,951	-	8,751	8,751	431,702	192,329
Employee 50/50 lottery	-	-	31,000	31,000	31,000	32,580
Other	5,848	-	-	-	5,848	3,182
	1,315,811	119,186	1,588,231	1,707,417	3,023,228	2,164,516
Expenses:						
Consulting and legal	27,120	-	-	-	27,120	56,071
Donor recognition and development	130,738	-	-	-	130,738	228,303
Office, stationery, and miscellaneous	106,680	-	-	-	106,680	101,853
Postage and direct mail	73,210	-	98,376	98,376	171,586	173,117
Salaries and personnel services	923,993	-	-	-	923,993	952,143
Special events	8,243	-	155,837	155,837	164,080	180,450
	1,269,984	-	254,213	254,213	1,524,197	1,691,937
Excess of revenue over expenses, before the undernoted	45,827	119,186	1,334,018	1,453,204	1,499,031	472,579
Contributions expenses:						
Contributions to Burnaby Hospital	-	(59,143)	(598,225)	(657,368)	(657,368)	(296,871)
Excess of revenue over expenses and contributions	\$ 45,827	\$ 60,043	\$ 735,793	\$ 795,836	\$ 841,663	\$ 175,708

See accompanying notes to financial statements.

BURNABY HOSPITAL FOUNDATION

Statement of Changes in Net Assets

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

	Unrestricted Fund	Internally Restricted Fund (note 4)	Externally Restricted Total (note 5)	Endowment Funds (note 6)	2019 Total	2018 Total
Net assets, beginning of year	\$ 1,408,520	\$ 1,150,000	\$ 2,841,062	\$ 111,721	\$ 5,511,303	\$ 5,335,595
Excess of revenue over expenses and contributions	45,827	-	795,836	-	841,663	175,708
Interfund transfers	(25,000)	(650,000)	675,000	-	-	-
Excess of revenue over expenses and contributions	\$ 1,429,347	\$ 500,000	\$ 4,311,898	\$ 111,721	\$ 6,352,966	\$ 5,511,303

See accompanying notes to financial statements.

BURNABY HOSPITAL FOUNDATION

Statement of Cash Flows

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

	2019	2018
Cash and cash equivalents provided by (used in):		
Operating activities:		
Excess of revenue over expenses and contributions	\$ 841,663	\$ 175,708
Unrealized loss (gain) on investments (note 7)	(132,498)	26,740
	709,165	202,448
Change in non-cash operating working capital:		
Accounts receivable	(12,912)	114,287
Prepaid expenses	(15,641)	32,643
Accounts payable and accrued liabilities	24,632	(307,507)
Due to Fraser Health Authority for:		
Operating expenses	(54,002)	12,876
Contributions to the Burnaby Hospital	-	(112,786)
	651,242	(58,039)
Investment activities:		
Disposal (purchase) of investments	(499,747)	297,048
Increase in cash and cash equivalents	151,495	239,009
Cash and cash equivalents, beginning of year	575,268	336,259
Cash and cash equivalents, end of year	\$ 726,763	\$ 575,268

Cash and cash equivalents, includes restricted gaming funds of \$70,996 (2018 - \$86,345).

See accompanying notes to financial statements.

BURNABY HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

1. Operations:

Burnaby Hospital Foundation (the "Foundation") is incorporated under the Society Act (British Columbia) to fund, facilitate and promote high quality patient care through the provision of financial support for development, education and research at Burnaby Hospital. The new Societies Act (British Columbia) came into effect on November 28, 2016. The Foundation has transitioned to the new Act in October 2018.

The Foundation receives gifts, bequests, donations, legacies and endowments which, in partnership with Fraser Health Authority (the "Authority"), are used to enhance the role of Burnaby Hospital. The Foundation is a registered charity under the Income Tax Act and accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

2. Significant accounting policies:

(a) Basis of presentation:

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 follow:

(b) 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"). For financial reporting purposes, the accounts have been classified into the following funds:

(i) Unrestricted:

The unrestricted fund includes unrestricted donations and other unrestricted funding received by the Foundation. All administrative and fundraising expenses are charged to the unrestricted fund.

(ii) Internally restricted:

The internally restricted fund includes amounts restricted by the Board for specific purposes.

BURNABY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(b) Fund accounting (continued):

(iii) Externally restricted:

The externally restricted funds include donations and other funding received by the Foundation which have been designated for specific purposes by the donor or the gaming authority, as well as the restricted income earned on endowment funds to be distributed in accordance with the specified purpose of the funds.

(iv) Endowments:

The endowment funds include amounts restricted by the donor with the intention that the principal balance of each fund remains intact, generating income to be distributed for the specified purpose of the funds.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and money market mutual funds which are highly liquid and redeemable on demand.

(d) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions.

Contributions are recognized as revenue in the appropriate fund in the year received or receivable if the amount to be received can be reasonably established and collection is reasonably assured. Donations are recorded as revenue when received.

Investment income is recognized when earned and recognized as unrestricted revenue unless restricted under the terms of an endowment fund. Changes in the fair value of investments are recorded on the statement of operations as investment income.

(e) Contributed materials and services:

Contributed materials are recorded at their fair value where the amounts are reasonably determinable.

Volunteers contribute an indeterminate number of hours to assist the Foundation in carrying out its activities. Due to the difficulty of determining fair value, contributed services are not recognized in the financial statements.

(f) 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. Actual results may ultimately differ from the estimates.

BURNABY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship, and equity instruments that are quoted in an active market, are subsequently measured at fair value. 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 record 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 cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(h) Future employee benefits:

The employees of the Foundation are members of the Municipal Pension Plan, a multi-employer defined benefit plan. Contributions made toward the plan are expensed as incurred (note 11).

3. Investments:

The Foundation's investment portfolio is comprised of the following:

	2019	2018
Fixed income	\$ 2,402,466	\$ 1,950,628
Canadian equity	1,747,174	2,024,885
Global equity	1,459,826	1,001,708
	<u>\$ 5,609,466</u>	<u>\$ 4,977,221</u>

The investments are invested in pooled funds containing a combination of equity and fixed income instruments in accordance with the Foundation's investment policy.

BURNABY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

4. Internally restricted funds:

\$500,000 (2018 - \$1,150,000) of funds have been internally restricted for the benefit of the Burnaby Hospital to be used for specific purposes as determined by the Board. During the year ended March 31, 2019, the Board approved interfund transfers of \$650,000 (2018 - \$850,000) to fund prior year contributions made to the Burnaby Hospital.

5. Externally restricted funds:

		2019	2018
Designated funds	(a)	\$ 976,014	\$ 770,286
Specified and capital campaign funds	(b)	3,272,467	2,016,110
Distributable income from endowment	(c)	63,417	54,666
		<hr/> \$ 4,311,898	<hr/> \$ 2,841,062

(a) Designated funds:

These funds are donations that are made to the Foundation with restrictions placed on the gifts by the donors. The gifts are provided to a specific department or program, but are not restricted to specific equipment. The investment income accrued on these funds are not restricted and are accordingly recorded as revenue within the unrestricted fund.

(b) Specified and capital campaign funds:

These funds are donations that are made to the Foundation with restrictions placed on the gifts by the donors and are for capital purposes such as the purchase of hospital equipment. The investment income accrued on these funds is not restricted and is accordingly recorded as revenue of the unrestricted fund.

(c) Distributable funds from endowment:

These funds are income earned on endowment funds which are restricted to be used in accordance with the terms of the endowments (note 6).

BURNABY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

6. Endowment funds:

	2019	2018
Education Endowment Fund (a)	\$ 50,000	\$ 50,000
Nurse Essex Educational Endowment Fund (b)	58,721	58,721
Other	3,000	3,000
	<u>\$ 111,721</u>	<u>\$ 111,721</u>

(a) Education Endowment Fund investment returns are used to provide financial assistance for educational opportunities for individuals currently serving in the fields of Medical Laboratory Technology and Nursing. The principal of \$50,000 is to be held in perpetuity.

(b) Nurse Essex Educational Endowment Fund returns are used to provide financial assistance for educational and certification opportunities for health care professionals serving in the field of Hospice Palliative End of Life Care at Burnaby Hospital. The principal of \$58,721 is to be held in perpetuity.

7. Investment income:

Investment income is comprised of the following:

	2019	2018
Unrealized gain (loss)	\$ 132,498	\$ (26,740)
Realized gains	143,922	76,673
Dividends	103,901	81,854
Interest	51,381	60,542
	<u>\$ 431,702</u>	<u>\$ 192,329</u>

8. Commitment:

The Foundation has made a revised conditional commitment to contribute \$1,500,000 over a period of four years to Burnaby Hospital towards its capital plan related to the Mental Health and Substance Use Emergency and Outpatient Services Consolidation Project. During the year ended March 31, 2019, the Foundation contributed nil (cumulative contribution - \$500,000) towards this balance. The remaining \$1,000,000 balance is expected to be paid during the fiscal years ending March 31, 2020 and March 31, 2021 in two equal installments of \$500,000.

BURNABY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

9. Fraser Health Authority:

As at March 31, 2019, the Foundation owed the Authority \$36,339 (2018 - \$90,341) related to operating expenses paid by the Authority on behalf of the Foundation.

The Authority provides office space for the Foundation's use on a no-charge basis. The Foundation also receives certain administrative services from the Authority including payroll and benefit administration, housekeeping and information technology support. Due to the difficulty in determining their fair value, these contributed services and rent at no charge are not recognized in the financial statements.

10. Remuneration to employees and contractors:

For the year ended March 31, 2019, the Foundation paid total remuneration of \$595,250 (2018 - \$439,861) to six (2018 - four) employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.

No remuneration was paid to any members of the Board during the year (2018 - nil).

11. 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 197,000 active members and approximately 95,000 retired members. Active members include approximately nine employees of the Foundation (2018 - eight).

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 billion funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2018 with results available in the fall of 2019. The actuary does not attribute portions of the funding surplus to individual employers. Employer contributions made by the Foundation to the Plan of \$83,628 (2018 - \$76,698) were expensed during the year.

BURNABY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

12. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to an investment policy approved by the Board. The Foundation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

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 interest rate risks as a result of investments in money market and fixed income funds.

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 fixed income 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.

There has been no change to the risk exposure from the prior year.