

Financial Statements of

BURNABY HOSPITAL FOUNDATION

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Trustees of Burnaby Hospital Foundation:

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Burnaby Hospital 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, 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 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.



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 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 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.

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 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Vancouver, Canada
September 28, 2020

BURNABY HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,819,584	\$ 726,763
Accounts receivable	132,164	80,747
Prepaid expenses	27,657	26,502
	<u>1,979,405</u>	<u>834,012</u>
Investments, at fair value (note 3)	5,289,344	5,609,466
	<u>\$ 7,268,749</u>	<u>\$ 6,443,478</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 87,376	\$ 54,173
Due to Fraser Health Authority (note 9)	46,839	36,339
	<u>134,215</u>	<u>90,512</u>
Net assets:		
Unrestricted	1,185,865	1,429,347
Internally restricted (note 4)	-	500,000
Externally restricted (note 5)	5,836,948	4,311,898
Endowment (note 6)	111,721	111,721
	<u>7,134,534</u>	<u>6,352,966</u>
Commitment (note 8)		
Subsequent event – COVID-19 and impact on operations (note 13)		
	<u>\$ 7,268,749</u>	<u>\$ 6,443,478</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director

Russ Aunger



Director

BURNABY HOSPITAL FOUNDATION

Statement of Operations

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

	Unrestricted Fund	Restricted Funds			2020	2019
		Designated Funds	Specified Funds	Externally Restricted Total		
Revenue:						
Donations	\$ 1,483,983	\$ 114,461	\$ 2,339,037	\$ 2,453,498	\$ 3,937,481	\$ 2,554,678
Investment income, including fair value adjustment (note 7)	(211,048)	-	(4,317)	(4,317)	(215,365)	431,702
Employee 50/50 lottery	-	-	20,030	20,030	20,030	31,000
Television commission and other	2,063	-	-	-	2,063	5,848
	1,274,998	114,461	2,354,750	2,469,211	3,744,209	3,023,228
Expenses:						
Consulting and legal	16,108	-	-	-	16,108	27,120
Donor recognition and development	204,979	-	-	-	204,979	130,738
Office, stationery and miscellaneous	128,570	-	-	-	128,570	106,680
Postage and direct mail	143,688	-	101,518	101,518	245,206	171,586
Salaries and personnel services	988,497	-	-	-	988,497	923,993
Special events	11,638	-	146,974	146,974	158,612	164,080
	1,493,480	-	248,492	248,492	1,741,972	1,524,197
Excess (deficiency) of revenue over expenses before the undernoted	(218,482)	114,461	2,106,258	2,220,719	2,002,237	1,499,031
Contributions:						
Contributions to Burnaby Hospital	-	(142,000)	(1,078,669)	(1,220,669)	(1,220,669)	(657,368)
Excess (deficiency) of revenue over expenses and contributions	\$ (218,482)	\$ (27,539)	\$ 1,027,589	\$ 1,000,050	\$ 781,568	\$ 841,663

See accompanying notes to financial statements.

BURNABY HOSPITAL FOUNDATION

Statement of Changes in Net Assets

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

	Unrestricted Fund	Internally Restricted Fund (note 4)	Externally Restricted Funds (note 5)	Endowment Funds (note 6)	2020 Total	2019 Total
Net assets, beginning of year	\$ 1,429,347	\$ 500,000	\$ 4,311,898	\$ 111,721	\$ 6,352,966	\$ 5,511,303
Excess of revenue over expenses and contributions	(218,482)	-	1,000,050	-	781,568	841,663
Interfund transfers	(25,000)	(500,000)	525,000	-	-	-
Net assets, end of year	\$ 1,185,865	\$ -	\$ 5,836,948	\$ 111,721	\$ 7,134,534	\$ 6,352,966

See accompanying notes to financial statements.

BURNABY HOSPITAL FOUNDATION

Statement of Cash Flows

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

	2020	2019
Cash and cash equivalents provided by (used in):		
Operating activities:		
Excess of revenue over expenses and contributions	\$ 781,568	\$ 841,663
Unrealized loss (gain) on investments (note 7)	464,588	(132,498)
	<u>1,246,156</u>	<u>709,165</u>
Change in non-cash operating working capital:		
Accounts receivable	(51,417)	(12,912)
Prepaid expenses	(1,155)	(15,641)
Accounts payable and accrued liabilities	33,203	24,632
Due to Fraser Health Authority	10,500	(54,002)
	<u>1,237,287</u>	<u>651,242</u>
Investment activities:		
Purchase of investments	(144,466)	(499,747)
Increase in cash and cash equivalents	1,092,821	151,495
Cash and cash equivalents, beginning of year	726,763	575,268
Cash and cash equivalents, end of year	<u>\$ 1,819,584</u>	<u>\$ 726,763</u>

Cash and cash equivalents, includes restricted gaming funds of \$45,798 (2019 - \$70,996).

See accompanying notes to financial statements.

BURNABY HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

1. Operations:

Burnaby Hospital Foundation (the "Foundation") is incorporated under the laws of British Columbia and is registered under the Societies Act (British Columbia). The Foundation's purpose is to fund, facilitate and promote high quality patient care through the provision of financial support for development, education and research at Burnaby Hospital.

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, 2020

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.

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. The interfund transfers are recorded in the statement of changes in net assets.

(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 part of investment income (note 7).

(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.

BURNABY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(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.

(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).

BURNABY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

3. Investments, at fair value:

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

	2020	2019
Fixed income	\$ 2,361,411	\$ 2,402,466
Canadian equity	1,786,698	1,747,174
Global equity	1,141,235	1,459,826
	<u>\$ 5,289,344</u>	<u>\$ 5,609,466</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.

4. Internally restricted funds:

During the year ended March 31, 2020, the Board approved interfund transfers of \$500,000 (2019 - \$650,000) from the internally restricted to externally restricted fund to fund contributions made to the Burnaby Hospital towards the Mental Health and Substance Use Emergency and Outpatient Services Consolidation Project (note 8).

5. Externally restricted funds:

	2020	2019
Designated funds (a)	\$ 973,475	\$ 976,014
Specified and Capital campaign funds (b)	4,804,373	3,272,467
Distributable income from endowment (c)	59,100	63,417
	<u>\$ 5,836,948</u>	<u>\$ 4,311,898</u>

(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 funds 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.

BURNABY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

5. Externally restricted funds (continued):

(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).

6. Endowment funds:

		2020	2019
Education Endowment Fund	(a)	\$ 50,000	\$ 50,000
Nurse Essex Educational Endowment Fund	(b)	58,721	58,721
Other		3,000	3,000
		\$ 111,721	\$ 111,721

(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:

	2020	2019
Unrealized gain (loss)	\$ (464,588)	\$ 132,498
Realized gains	77,237	143,922
Dividends	96,376	103,901
Interest	75,610	51,381
	\$ (215,365)	\$ 431,702

BURNABY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

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, 2020, the Foundation contributed \$500,000 (cumulative contribution - \$1,000,000) towards this balance. The remaining balance is expected to be paid during the fiscal year ending March 31, 2021 in one final installment of \$500,000.

9. Fraser Health Authority:

As at March 31, 2020, the Foundation owed the Authority \$46,839 (2019 - \$36,339) related to the 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, 2020, the Foundation paid total remuneration of \$616,500 (2019 - \$595,250) to six (2019 - six) 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 (2019 - 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, are responsible for administering the Plan, including investing assets and administering benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. As at December 31, 2018, the Plan had about 205,000 active members and approximately 101,000 retired members. Active members include eleven employees of the Foundation (2019 - nine).

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, 2018 indicated a \$2,866 million funding surplus for basic pension benefits and a balance of \$2,485 million in the rate stabilization account. The next valuation will be as at December 31, 2021 with results available in 2022. The actuary does not attribute portions of the funding surplus to individual employers. Employer contributions made by the Foundation to the Plan of \$86,653 (2019 - \$83,628) were expensed during the year.

BURNABY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

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 in the financial risk exposures from 2019 other than the pervasive impact of COVID-19 as described in note 13.

13. Subsequent event - COVID-19 and impact on operations:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial market impact globally, domestically, and locally on jurisdictions and market sections in which the Foundation operates. The primary impact of the COVID-19 on the Foundation has been the decline in the value of its investments. At the time of the approval of these financial statements, the fair market value of investments has fully recovered the loss recorded as of March 31, 2020.

The Foundation has taken the following activities in relations to the COVID-19 pandemic:

- Cancellation of in-person events larger than 6 people and moving other events to virtual format;
- Employees working remotely whenever possible in an effort to slow the spread of the coronavirus;
- Cancellation of Employee 50/50 Lottery program due to declined participation; and
- Setting up a COVID-19 Emergency Response Fund to help with the needs of Burnaby Hospital and its affiliated medical facilities dealing with the pandemic.

As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known. The impact of the pandemic creates uncertainty over future cash flows, may cause significant changes to the assets and liabilities, and may have an impact on future operations. An estimate on the financial effect on Foundation is not practicable at this time. The Foundation continues to closely monitor the impact of its financial implications and will be adjusting its operations as required to enhance continuity of operations.