

Financial Statements of

**VGH & UBC HOSPITAL FOUNDATION**

Year ended March 31, 2015



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## **INDEPENDENT AUDITORS' REPORT**

To the Members of the VGH & UBC Hospital Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of VGH & UBC Hospital Foundation, which comprise the statement of financial position as at March 31, 2015 and 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 the 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 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 VGH & UBC Hospital Foundation as at March 31, 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

June 22, 2015

Vancouver, Canada

# VGH & UBC HOSPITAL FOUNDATION

## Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 33,349,345	19,702,051
Portfolio investments (note 4)	120,245,385	99,317,212
Accounts receivable (note 5)	1,170,374	1,429,869
	<u>154,765,104</u>	<u>120,449,132</u>
Long-term accounts receivable and other	45,250	52,750
Capital assets (note 6)	264,903	133,917
Restricted cash and cash equivalents	4,796,139	5,289,089
Donated assets	3,697,392	3,161,632
Vancouver Foundation investments (note 7)	449,763	432,049
Endowment investments (note 4)	69,541,143	65,098,107
	<u>\$ 233,559,694</u>	<u>\$ 194,616,676</u>

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,395,897	\$ 2,508,406
Due to Vancouver Coastal Health Authority (note 8)	3,308,074	4,776,279
	<u>5,703,971</u>	<u>7,284,685</u>
Fund Balances:		
General Fund:		
Invested in capital assets (note 6)	264,903	133,917
Vancouver Foundation Endowment Fund	449,763	432,049
Unrestricted	38,309,451	23,733,918
	<u>39,024,117</u>	<u>24,299,884</u>
Restricted Funds:		
Endowment (note 7)	69,541,143	65,098,107
Specific Purpose	119,290,463	97,934,000
	<u>188,831,606</u>	<u>163,032,107</u>
	<u>227,855,723</u>	<u>187,331,991</u>
	<u>\$ 233,559,694</u>	<u>\$ 194,616,676</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

# VGH & UBC HOSPITAL FOUNDATION

## Statement of Operations and Changes in Fund Balances

Year ended March 31, 2015, with comparative information for 2014

	General Fund		Restricted Funds - Endowment		Restricted Funds - Specific Purpose		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Revenue:</b>								
Donations	\$ 3,467,301	\$ 2,888,791	\$ 362,733	\$ 4,677,415	\$ 33,061,444	\$ 23,374,083	\$ 36,891,478	\$ 30,940,289
Lotteries	-	-	-	-	19,133,338	19,583,537	19,133,338	19,583,537
Other fundraising	1,413,055	784,042	-	-	2,283,666	1,945,762	3,696,721	2,729,804
Portfolio investment income (note 10)	7,169,676	4,411,016	718	504	5,162,546	4,561,144	12,332,940	8,972,664
Other income (note 11)	7,612,660	4,213,859	-	-	1,410,146	5,092,915	9,022,806	9,306,774
	19,662,692	12,297,708	363,451	4,677,919	61,051,140	54,557,441	81,077,283	71,533,068
<b>Expenses:</b>								
Foundation operations	6,639,658	6,488,237	-	-	-	-	6,639,658	6,488,237
Community awareness and public engagement	578,619	554,895	-	-	-	-	578,619	554,895
	7,218,277	7,043,132	-	-	-	-	7,218,277	7,043,132
Lotteries	-	-	-	-	15,368,333	15,088,812	15,368,333	15,088,812
Other fundraising	871,881	486,916	-	-	100,607	100,675	972,488	587,591
Grants to Vancouver Coastal Health Authority:								
Equipment	136,558	745,079	-	-	6,308,375	5,432,173	6,444,933	6,177,252
Education, research, patient care and other	172,825	214,328	-	-	17,248,519	16,292,156	17,421,344	16,506,484
	8,399,541	8,489,455	-	-	39,025,834	36,913,816	47,425,375	45,403,271
Excess of revenue over expenses before change in fair value of investments	11,263,151	3,808,253	363,451	4,677,919	22,025,306	17,643,625	33,651,908	26,129,797
Change in fair value of investments (note 2(d))	3,342,068	2,923,680	3,529,756	4,421,542	-	-	6,871,824	7,345,222
Excess of revenue over expenses	14,605,219	6,731,933	3,893,207	9,099,461	22,025,306	17,643,625	40,523,732	33,475,019
Interfund transfers (note 3)	119,014	35,380	549,829	(563,508)	(668,843)	528,128	-	-
Net increase in fund balances	14,724,233	6,767,313	4,443,036	8,535,953	21,356,463	18,171,753	40,523,732	33,475,019
Fund balances, beginning of year	24,299,884	17,532,571	65,098,107	56,562,154	97,934,000	79,762,247	187,331,991	153,856,972
Fund balances, end of year	\$ 39,024,117	\$ 24,299,884	\$ 69,541,143	\$ 65,098,107	\$ 119,290,463	\$ 97,934,000	\$ 227,855,723	\$ 187,331,991

See accompanying notes to financial statements.

# VGH & UBC HOSPITAL FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 40,523,732	\$ 33,475,019
Items not involving cash:		
Change in fair value of investments	(6,871,824)	(7,345,222)
Amortization	64,197	92,427
Donated assets	(535,760)	(87,943)
Gain on disposal of investments	(2,201,019)	(2,945,244)
Loss on sale of prize home	-	329,725
Management fees on investments	466,716	375,035
Receipt of investments as donations	(3,936,515)	(6,273,279)
	27,509,527	17,620,518
Proceeds on sale of prize home	-	1,253,149
	27,509,527	18,873,667
Long-term accounts receivable and other	7,500	(40,000)
Net change in non-cash operating items	(1,321,219)	(2,475,570)
	26,195,808	16,358,097
Investing:		
Reinvestment of income	(9,669,917)	(5,572,024)
Proceeds on sale of investments	3,936,515	6,273,279
Purchase of investments	(7,112,879)	(15,006,754)
Change in restricted cash and cash equivalents	492,950	409,933
Purchase of capital assets	(195,183)	(96,224)
	(12,548,514)	(13,991,790)
Increase in cash and cash equivalents	13,647,294	2,366,307
Cash and cash equivalents, beginning of year	19,702,051	17,335,744
Cash and cash equivalents, end of year	\$ 33,349,345	\$ 19,702,051

See accompanying notes to financial statements.

# VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2015

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## 1. Organization:

The VGH & UBC Hospital Foundation (the "Foundation") was incorporated in 1980 under the Society Act (British Columbia). Its principal purpose is to raise funds for furthering the interests and objectives of Vancouver Acute (Vancouver General Hospital, UBC Hospital, GF Strong Rehab Centre, Vancouver Coastal Health Research Institute and related Health Care operations), (the "Hospital"), a component of Vancouver Coastal Health Authority ("VCHA"), in its mission of patient care, teaching and research.

## 2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CICA Handbook and include the following significant accounting policies:

### (a) Revenue recognition and fund accounting:

The Foundation follows the restricted fund method of accounting for contributions, thereby recognizing restrictions specified by donors on the use of resources, including contributions and restricted investment income. The fund classifications are:

#### (i) General Fund:

Donations not specifically designated by donors, unrestricted investment income, unrestricted investment income on specific purpose funds, unrestricted current fundraising event proceeds, administrative fees charged to restricted gifts and events, and amounts held by the Vancouver Foundation but available for withdrawal (note 2(a)(ii)), are allocated to the General Fund. Administrative costs pertaining to the Foundation are primarily funded through the General Fund, with the remainder financed through investment income of certain Specific Purpose Funds.

#### (ii) Restricted Funds:

Restricted Funds relate to research, patient care, education, equipment and facility initiatives. Specific Purpose Funds represent funds specifically designated by donors, current fundraising event proceeds, as well as restricted investment income earned on Endowment Funds.

Contributions of irrevocable charitable remainder trusts are recognized as revenue in Specific Purpose Funds - Other in the year of the contribution at their fair value as determined by an actuary. In subsequent years, they are recorded at amortized cost which approximates fair value.

Administration fees charged to restricted gifts and events are recorded in other income in the general fund at the time the related gifts are received or at the time the event has been completed.

# VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 2. Significant accounting policies (continued):

### (a) Revenue recognition and fund accounting (continued):

#### (ii) Restricted Funds:

Endowment Funds represent funds that are permanently restricted either by the donor or internally by the Foundation; encroachment of capital can only occur in accordance with the endowment agreement or Board policy, as applicable.

Contributions for endowment are recognized as revenue in the endowment funds.

### (b) Accrual basis:

The accrual basis of accounting is used for reporting revenue, except for donations, which are generally recorded on a cash basis. Donations are accrued only when a realizable value can be reasonably estimated and collection is reasonably assured.

### (c) Deferred revenue:

Deferred revenue represents sponsorship monies received in advance of related events.

### (d) 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 carry all its investments at fair value with changes in fair values recognized in the statement of operations.

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 and financing costs incurred on acquisition, which are amortized using the straight-line method.

Financial assets recorded 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.



# VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 2. Significant accounting policies (continued):

(e) Cash and cash equivalents:

Cash and cash equivalents and restricted cash and cash equivalents consist of cash and highly liquid investments with major financial institutions that are readily convertible to contracted amounts of cash and with maturities at the date of acquisition of less than three months. Restricted cash and cash equivalents are comprised of funds earned under lottery licenses issued by the BC Gaming Commission to be used for specific purposes.

(f) Long-term accounts receivable and other:

Long-term accounts receivable and other consists of the long-term portion of donated bonds with maturity beyond the subsequent fiscal year. Long-term accounts receivable and other are recorded at amortized cost, which approximate fair value.

(g) Parkade Trust:

The Foundation has a controlling interest in 578583 B.C. Ltd., the bare trustee of the VGH Parkade Trust (note 9). The Trust distributes the net revenue derived from the operation of the VGH's parking lot facility to the Foundation which is recorded by the Foundation as revenue in the general fund. The Foundation does not consolidate 578583 B.C. Ltd. or the Trust's financial statements. Accordingly, the assets, liabilities, revenue and expenses of these entities are not included in the Foundation's financial statements.

(h) Capital assets:

Capital assets, consisting of equipment and office renovations, are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life, with amortization taken in the year the assets are put into use, as follows:

Asset	Years
Furniture and fixtures	5
Computer equipment	4

(i) Donated assets:

Donated assets consist of donated artwork and other non-depreciable property. Donated assets are recorded at the appraised value at the date of receipt and are not depreciated. Donated artwork is used for display throughout the hospital to enhance the environment for the benefit of patients, their families, staff and visitors.

(j) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

# VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 2. Significant accounting policies (continued):

### (k) Income taxes:

The Foundation is a charitable organization registered under the Income Tax Act and, as such, is exempt from income and capital taxes and is able to issue donation receipts for income tax purposes.

### (l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

## 3. Interfund transfers:

To meet the objectives of financial reporting and stewardship over the general, endowment and specific purpose funds, transfers between the funds are made when it is considered appropriate and approved by either the donor or the Board. These interfund transfers are recorded in the statement of operations and changes in fund balances.

## 4. Investments:

Investments are comprised of the following:

	2015	2014
Canadian money market funds	\$ 14,031,495	\$ 10,956,511
Canadian bond funds	80,272,193	69,937,632
Canadian equity funds	41,963,074	39,126,925
Global equity funds	53,519,766	44,394,251
Endowment investments (note 7)	(69,541,143)	(65,098,107)
Portfolio investments	\$ 120,245,385	\$ 99,317,212

As at March 31, 2015, the Foundation has recorded in its portfolio investments, a Guaranteed Investment Certificate in the amount of \$5,500,000 (2014 - \$4,450,000), to comply with the requirements of the Ministry of Public Safety and Solicitor General, Gaming Policy and Enforcement Branch for the purchase of prizes for upcoming lotteries.

# VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 5. Accounts receivable:

	2015	2014
Parkade Trust (note 9)	\$ 571,998	\$ 551,553
Sales Tax Rebate	166,211	321,210
Other	432,165	557,106
<b>Total</b>	<b>\$ 1,170,374</b>	<b>\$ 1,429,869</b>

## 6. Capital assets and net assets invested in capital assets:

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Furniture and fixtures	\$ 594,865	\$ 367,484	\$ 227,381	\$ 94,290
Computer equipment	80,484	42,962	37,522	39,627
	<b>\$ 675,349</b>	<b>\$ 410,446</b>	<b>\$ 264,903</b>	<b>\$ 133,917</b>

Changes in net assets invested in capital assets are as follows:

	2015	2014
Opening balance	\$ 133,917	\$ 130,120
Amortization	(64,197)	(92,427)
Additions	195,183	96,224
<b>Closing balance</b>	<b>\$ 264,903</b>	<b>\$ 133,917</b>

## 7. Endowment funds:

The Foundation holds several endowment funds for purposes as outlined below:

	2015	2014
Specific Purpose (note 2(a)(iii)):		
Education	\$ 4,032,666	\$ 3,810,258
Equipment	164,758	156,864
Patient care	314,805	299,722
Research	58,639,530	54,751,366
Other	6,389,384	6,079,897
	<b>\$ 69,541,143</b>	<b>\$ 65,098,107</b>

# VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## **7. Endowment funds (continued):**

Under an agreement with the Vancouver Foundation, an Endowment Fund, managed by the Vancouver Foundation, was established in 1981. The original \$475,100 capital of the Vancouver Foundation Endowment Fund consists of \$270,000 contributed by the Foundation, \$200,000 contributed by the Vancouver Foundation and \$5,100 received from other contributors. Subsequent to the initial capital, \$12,050 has been received from other contributors.

The Vancouver Foundation Endowment Fund is invested in the Vancouver Foundation's pooled investment balanced fund. At March 31, 2015, the fund has a fair value of \$854,608 (2014 - \$800,555), of which \$449,763 (2014 - \$432,049) is available for withdrawal by the Foundation.

Any income distributed from the fund is recognized as investment income in the General Fund.

The rights of withdrawal from this Fund, in any particular year, are restricted to 20% of the units representing the portion of the Fund's balance accumulated through the Foundation's contributions, provided such contributions have been a part of the Fund for at least 10 years. The amount contributed by the Vancouver Foundation is not available to be withdrawn by the Foundation. Currently, all amounts in this endowment fund contributed by the Foundation have been held for the minimum ten-year period and are thus eligible for withdrawal at 20% per year. However, of the initial capital contribution made by the Foundation, \$10,000 is excluded from the amount subject to withdrawal as it is to be retained permanently by the Vancouver Foundation. No withdrawals have been made as of March 31, 2015 (2014 – nil).

## **8. Due to Vancouver Coastal Health Authority:**

The amount due to VCHA relates to unpaid, non-reciprocal, irrevocable obligations for qualifying expenditures made by VCHA. The amount is without interest or specific terms of maturity.

## **9. VGH Parkade Trust:**

VGH Parkade Trust (the "Trust") was created by agreement between the Vancouver General Hospital (the "Hospital") and the Foundation. The Trust holds the beneficial interest in VGH's parking lot facility and owns 100% of the shares of VGH Gift Shop Ltd. (the "Gift Shop"). The bare trustee of the Trust is 578583 B.C. Ltd., a corporation in which the Foundation has a controlling interest. As at March 31, 2015, \$571,998 receivable from the Trust (2014 - \$551,553) is included in accounts receivable (note 5).

# VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 9. VGH Parkade Trust (continued):

The Trust's financial position as at March 31, 2015 and results of operations for the year ended March 31, 2015 are as follows:

	2015	2014
Total assets	\$ 5,738,385	\$ 5,842,660
Total liabilities	5,166,419	5,291,139
<b>Net assets</b>	<b>\$ 571,966</b>	<b>\$ 551,521</b>
Statement of operations:		
Total revenue	\$ 3,177,541	\$ 3,094,539
Total expenses	1,316,450	1,311,398
<b>Net earnings to distribute to the Foundation</b>	<b>\$ 1,861,091</b>	<b>\$ 1,783,141</b>

## 10. Portfolio investment income:

Portfolio investment income is comprised of the following:

	2015	2014
Interest and dividends	\$ 10,131,921	\$ 6,027,420
Net realized gains on investments	2,201,019	2,945,244
	<b>\$ 12,332,940</b>	<b>\$ 8,972,664</b>

## 11. Other income:

	General Fund	Restricted Funds - Specific Purpose	2015	2014
Government grant	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 5,000,000
Parkade Trust income	1,814,085	47,006	1,861,091	1,783,141
Fund management fees	1,371,817	(1,371,817)	-	-
Fundraising recoveries	1,542,016	-	1,542,016	1,455,989
Loss on investment property	-	-	-	(329,725)
Other income	2,884,742	1,734,957	4,619,699	1,397,369
	<b>\$ 7,612,660</b>	<b>\$ 1,410,146</b>	<b>\$ 9,022,806</b>	<b>\$ 9,306,774</b>

# VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 12. Related party transactions:

The Foundation receives administrative support from VCHA without charge. In addition, the Foundation's administrative offices are located in facilities owned by VCHA. No amounts are charged for premises rent. The value of these services and rentals is not included in these financial statements.

During the year, the directors and officers of the organization made donations totaling \$847,567 (2014 - \$794,944) to the Foundation.

## 13. Financial risks:

### (a) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2014.

### (b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to credit risk with respect to accounts receivable. The Foundation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance of doubtful accounts.

### (c) Market and interest rate risk:

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 common stocks which are subject to risks from changes in market conditions.

The Foundation is exposed to interest rate risk on its fixed interest rate investments. Fixed-interest instruments subject the Foundation to a fair value risk. The Foundation is exposed to this risk as a result of investments in money market and bond funds.

The risks associated with investments are managed through the Foundation's established investment policy.

### (d) Other risks:

The Foundation believes that it is not exposed to currency or cash flow risk arising from its financial instruments.