

Financial Statements of

**VGH & UBC HOSPITAL
FOUNDATION**

Year ended March 31, 2016



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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, 2016 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, 2016 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other Legal and Regulatory Requirements

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

KPMG LLP

Chartered Professional Accountants

June 27, 2016
Vancouver, Canada

VGH & UBC HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,628,300	\$ 33,349,345
Portfolio investments (note 5)	133,928,134	120,245,385
Accounts receivable (note 6)	1,449,617	1,170,374
Prize homes	3,689,953	-
	<u>156,696,004</u>	<u>154,765,104</u>
Long-term accounts receivable and other	40,250	45,250
Capital assets (note 7)	755,896	264,903
Restricted cash and cash equivalents	6,545,248	4,796,139
Donated assets	4,211,108	3,697,392
Endowment investments (note 8(a))	70,188,035	69,541,143
Vancouver Foundation investments (note 8(b))	472,760	449,763
	<u>\$ 238,909,301</u>	<u>\$ 233,559,694</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,215,797	\$ 2,395,897
Due to Vancouver Coastal Health Authority (note 9)	2,598,426	3,308,074
	<u>5,814,223</u>	<u>5,703,971</u>
Fund Balances:		
General Fund:		
Invested in capital assets (note 7)	755,896	264,903
Vancouver Foundation Endowment Fund	472,760	449,763
Unrestricted	37,442,886	38,309,451
	<u>38,671,542</u>	<u>39,024,117</u>
Restricted Funds:		
Endowment (note 8(a))	70,188,035	69,541,143
Specific Purpose	124,235,501	119,290,463
	<u>194,423,536</u>	<u>188,831,606</u>
	<u>233,095,078</u>	<u>227,855,723</u>
	<u>\$ 238,909,301</u>	<u>\$ 233,559,694</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, 2016, with comparative information for 2015

	General Fund		Restricted Funds - Endowment		Restricted Funds - Specific Purpose		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenue:								
Donations	\$ 2,845,221	\$ 3,467,301	\$ 1,125,372	\$ 362,733	\$ 28,185,743	\$ 33,061,444	\$ 32,156,336	\$ 36,891,478
Lotteries	-	-	-	-	19,725,506	19,133,338	19,725,506	19,133,338
Other fundraising	1,803,825	1,413,055	-	-	2,414,281	2,283,666	4,218,106	3,696,721
Portfolio investment income (note 11)	7,374,734	7,169,676	6,494	718	6,898,709	5,162,546	14,279,937	12,332,940
Other Income (note 12)	5,708,036	7,612,660	-	-	1,022,759	1,410,146	6,730,795	9,022,806
	17,731,816	19,662,692	1,131,866	363,451	58,246,998	61,051,140	77,110,680	81,077,283
Expenses:								
Foundation operations	7,329,946	6,639,658	-	-	-	-	7,329,946	6,639,658
Community awareness and public engagement	636,112	578,619	-	-	-	-	636,112	578,619
	7,966,058	7,218,277	-	-	-	-	7,966,058	7,218,277
Lotteries	-	-	-	-	15,269,267	15,368,333	15,269,267	15,368,333
Other fundraising	1,213,089	871,881	-	-	122,251	100,607	1,335,340	972,488
Transfer to qualified donee (note 3)	-	-	-	-	1,000,000	-	1,000,000	-
Grants to Vancouver Coastal Health Authority:								
Equipment	158,089	136,558	-	-	16,721,972	6,308,375	16,880,061	6,444,933
Education, research, patient care and other	172,645	172,825	-	-	16,999,197	17,248,519	17,171,842	17,421,344
	9,509,881	8,399,541	-	-	50,112,687	39,025,834	59,622,568	47,425,375
Excess of revenue over expenses before change in fair value of investments	8,221,935	11,263,151	1,131,866	363,451	8,134,311	22,025,306	17,488,112	33,651,908
Change in fair value of investments (note 2(d))	(6,557,058)	3,342,068	(5,691,699)	3,529,756	-	-	(12,248,757)	6,871,824
Excess (deficiency) of revenue over expenses	1,664,877	14,605,219	(4,559,833)	3,893,207	8,134,311	22,025,306	5,239,355	40,523,732
Interfund transfers (note 4)	(2,017,452)	119,014	5,206,725	549,829	(3,189,273)	(668,843)	-	-
Net increase (decrease) in fund balances	(352,575)	14,724,233	646,892	4,443,036	4,945,038	21,356,463	5,239,355	40,523,732
Fund balances, beginning 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
Fund balances, end of year	\$ 38,671,542	\$ 39,024,117	\$ 70,188,035	\$ 69,541,143	\$ 124,235,501	\$ 119,290,463	\$ 233,095,078	\$ 227,855,723

See accompanying notes to financial statements

VGH & UBC HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 5,239,355	\$ 40,523,732
Items not involving cash:		
Change in fair value of investments	12,248,757	(6,871,824)
Amortization	140,841	64,197
Donated assets	(513,716)	(535,760)
Gain on disposal of investments	(1,459,058)	(2,201,019)
Management fees on investments	496,524	466,716
Receipt of investments as donations	(6,939,238)	(3,936,515)
	9,213,465	27,509,527
Purchase of prize homes	(3,689,953)	-
	5,523,512	27,509,527
Long-term accounts receivable and other	5,000	7,500
Net change in non-cash operating items	(168,991)	(1,321,219)
	5,359,521	26,195,808
Investing:		
Reinvestment of investment income	(12,311,391)	(9,669,917)
Proceeds on sale of investments	6,539,238	3,936,515
Purchase of investments	(12,927,470)	(7,112,879)
Change in restricted cash and cash equivalents	(1,749,109)	492,950
Purchase of capital assets	(631,834)	(195,183)
	(21,080,566)	(12,548,514)
(Decrease) increase in cash and cash equivalents	(15,721,045)	13,647,294
Cash and cash equivalents, beginning of year	33,349,345	19,702,051
Cash and cash equivalents, end of year	17,628,300	\$ 33,349,345

See accompanying notes to financial statements.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2016

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 Organizations 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, 2016

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.

(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 carries all its investments at fair value with changes in fair values recognized in the statement of operations other than its investment in private shares which are measured at cost.

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, 2016

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 10). 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. When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value. 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, 2016

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. Transfer to qualified donee:

In the current year, a transfer to a qualified donee (St. Paul's Hospital Foundation of Vancouver) in the amount of \$1,000,000 was made in accordance with directions from the donor.

4. 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.

5. Investments:

Investments are comprised of the following:

	2016	2015
Canadian money market funds	\$ 24,620,990	\$ 14,031,495
Canadian bond funds	83,542,249	80,272,193
Canadian equity funds	43,819,937	41,963,074
Global equity funds	51,732,993	53,519,766
Private shares	400,000	-
Endowment investments (note 8)	(70,188,035)	(69,541,143)
Portfolio investments	\$ 133,928,134	\$ 120,245,385

As at March 31, 2016, the Foundation has recorded in its portfolio investments, a Guaranteed Investment Certificate in the amount of \$5,500,000 (2015 - \$5,500,000), which is included in the Canadian money market funds, 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, 2016

6. Accounts receivable:

	2016	2015
Parkade Trust (note 10)	\$ 596,424	\$ 571,998
Sales Tax Rebate	260,610	166,211
Other	592,583	432,165
Total	\$ 1,449,617	\$ 1,170,374

7. Capital assets and net assets invested in capital assets:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Furniture and fixtures	\$ 781,452	\$ 152,645	\$ 628,807	\$ 227,381
Computer equipment	205,304	78,215	127,089	37,522
	\$ 986,756	\$ 230,860	\$ 755,896	\$ 264,903

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

	2016	2015
Opening balance	\$ 264,903	\$ 133,917
Amortization	(140,841)	(64,197)
Additions	631,834	195,183
Closing balance	\$ 755,896	\$ 264,903

8. Endowment funds:

(a) The Foundation holds endowment funds for purposes as outlined below:

	2016	2015
Specific Purpose (note 2(a)(ii)):		
Education	\$ 3,657,506	\$ 4,032,666
Equipment	148,942	164,758
Patient care	284,585	314,805
Research	60,316,716	58,639,530
Other	5,780,286	6,389,384
	\$ 70,188,035	\$ 69,541,143

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Endowment funds (continued):

- (b) 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 \$260,000 contributed by the Foundation, \$210,000 contributed by the Vancouver Foundation and \$5,100 received from other contributors. Subsequent to the initial capital, \$18,300 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, 2016, the fund has a fair value of \$835,042 (2015 - \$854,608), of which \$472,760 (2015 - \$449,763) 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, 2016 (2015 – nil).

9. 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.

10. 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, 2016, \$596,424 receivable from the Trust (2015 - \$571,998) is included in accounts receivable (note 6).

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

10. VGH Parkade Trust (continued):

The Trust's financial position as at March 31, 2016 and results of operations for the year ended March 31, 2016 are as follows:

	2016	2015
Total assets	\$ 5,646,200	\$ 5,738,385
Total liabilities	5,049,808	5,166,419
Net assets	\$ 596,392	\$ 571,966
Statement of operations:		
Total revenue	\$ 3,432,453	\$ 3,177,541
Total expenses	1,347,307	1,316,450
Net earnings to distribute to the Foundation	\$ 2,085,146	\$ 1,861,091

11. Portfolio investment income:

Portfolio investment income is comprised of the following:

	2016	2015
Interest and dividends	\$ 12,820,879	\$ 10,131,921
Net realized gains on investments	1,459,058	2,201,019
	\$ 14,279,937	\$ 12,332,940

12. Other income:

	Restricted Funds -		2016	2015
	General Fund	Specific Purpose		
Government grant	\$ -	\$ -	\$ -	\$ 1,000,000
Parkade Trust income	2,016,902	68,244	2,085,146	1,861,091
Fund management fees	1,480,059	(1,480,059)	-	-
Fundraising recoveries	1,988,471	-	1,988,471	1,542,016
Other income	222,604	2,434,574	2,657,178	4,619,699
	\$ 5,708,036	\$ 1,022,759	\$ 6,730,795	\$ 9,022,806

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

13. 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 \$3,536,814 (2015 - \$847,567) to the Foundation.

14. Affiliated organization:

The Foundation established a non profit corporation, Friends of VGH & UBC Hospital Foundation ("Friends"), in Washington State, USA, in 1998, which is recognized as a charitable organization under section 501(c)(3) of the U.S. Internal Revenue Service code. Friends is able to provide written substantiation of gifts in order to allow donors to Friends to deduct their donations for U.S. federal income tax purposes. Donated funds raised by Friends, with unanimous ratification by its Board of Directors, are granted to the Foundation. The Foundation does not account for Friends in these financial statements. As at March 31, 2016, Friends had no significant assets or liabilities.

During the year, the Foundation received grants of \$2,000,000 (2015 - \$272,000) from the above affiliated organization.

15. 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 2015.

(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.

VGH & UBC HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

15. Financial risks (continued):

(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. Market risks include equity price risk, currency risk and interest rate risk. The Foundation's exposure to equity price risk is primarily attributable to fluctuations in quoted market prices of listed investments.

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.