

**DELTA HOSPITAL FOUNDATION**  
**FINANCIAL STATEMENTS**

**March 31, 2014**

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## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of Delta Hospital Foundation

#### Report on the Financial Statements

I have audited the accompanying financial statements of Delta Hospital Foundation, which comprise the statement of financial position as at March 31, 2014, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and 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.

#### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 the auditor's 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, the auditor considers internal controls 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Basis for Qualified Opinion

In common with many charitable organizations, Delta Hospital Foundation derives a part of its revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of Delta Hospital Foundation, as I was not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, assets and net assets.

#### Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Delta Hospital Foundation as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### Cran & Company

Certified General Accountant

Delta, BC

July 14, 2014

**DELTA HOSPITAL FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
As at March 31, 2014

**ASSETS**

	<b>Total 2014</b>	Total 2013 Restated (note 15)
<b>CURRENT</b>		
Cash (note 2)	\$ 843,948	\$ 1,369,923
Accounts Receivable	2,935	-
PST refundable (note 3)	11,289	-
GST recoverable	10,026	14,490
Deferred expenses (note 4)	17,297	6,166
<hr/>		
<b>TOTAL CURRENT ASSETS</b>	<b>885,495</b>	1,390,579
<b>MARKETABLE SECURITIES</b> (note 5)	<b>1,005,459</b>	877,437
<b>TERM DEPOSITS</b> (note 6)	<b>3,540,555</b>	30,000
<b>TANGIBLE CAPITAL ASSETS</b> (notes 2 & 7)	<b>67,186</b>	22,841
<hr/>		
<b>TOTAL ASSETS</b>	<b>\$ 5,498,695</b>	\$ 2,320,857

APPROVED BY THE DIRECTORS:

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The Accompanying Notes are an Integral part of these Financial Statements

**DELTA HOSPITAL FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
As at March 31, 2014**

**LIABILITIES AND NET ASSETS**

	<b>Total 2014</b>	Total 2013 Restated (note 15)
<b>CURRENT LIABILITIES</b>		
Accounts payable (note 8)	\$ 69,104	\$ 213,785
Payroll liabilities	20,627	8,415
Deferred revenue	-	38,500
<b>TOTAL LIABILITIES</b>	<b>89,731</b>	260,700
<b>NET ASSETS</b>		
General Fund - Unrestricted (note 2 )	696,906	758,659
General Fund - Internally Restricted (notes 2 and 9)	787,297	618,771
Endowment Fund (note 2 and 10 )	662,107	393,435
Gaming Fund	130,986	91,579
Hospital Fund (note 2 and 11)	3,131,668	197,713
<b>TOTAL NET ASSETS</b>	<b>5,408,964</b>	2,060,157
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,498,695</b>	\$ 2,320,857

The Accompanying Notes are an Integral part of these Financial Statements

**DELTA HOSPITAL FOUNDATION**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**For the year ended March 31, 2014**

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Gaming Fund</u>	<u>Hospital Fund</u>	<u>Total 2014</u>	Total 2013 Restated (Note 15)
<b>REVENUE</b>						
Donations (schedule I)	\$ 1,098,075	\$ 246,492	\$ 41,407	\$ 2,982,285	<b>\$ 4,368,259</b>	\$ 1,317,914
Interest and dividends	43,660	14,215	1,550	8,839	<b>68,264</b>	50,916
Unrealized gain on investments	77,334	25,178	-	15,656	<b>118,168</b>	11,113
	1,219,069	285,885	42,957	3,006,780	<b>4,554,691</b>	1,379,943
<b>EXPENDITURES</b>						
<b>Administration</b>						
Amortization	7,887	-	-	-	<b>7,887</b>	6,083
Audit	8,149	-	-	-	<b>8,149</b>	8,388
Education and conferences	14,919	-	-	-	<b>14,919</b>	5,352
Insurance	2,685	-	-	-	<b>2,685</b>	2,680
Investment management	3,964	1,290	-	802	<b>6,056</b>	5,861
Legal	619	-	-	-	<b>619</b>	15,428
Office supplies and maintenance	18,967	-	-	5,492	<b>24,459</b>	21,597
Operations	37,244	-	-	-	<b>37,244</b>	27,946
Wages and benefits	217,374	-	-	-	<b>217,374</b>	220,869
	311,808	1,290	-	6,294	<b>319,392</b>	314,204
<b>Fundraising programs</b> (schedule II)(note 2 )	578,121	-	3,550	43,903	<b>625,574</b>	458,963
<b>Medical equipment and education</b> (schedule II)	177,836	15,923	-	67,116	<b>260,875</b>	616,989
<b>Building and Improvements</b> (schedule II)	-	-	-	43	<b>43</b>	39,423
<b>Total expenditures</b>	1,067,765	17,213	3,550	117,356	<b>1,205,884</b>	1,429,579
<b>Excess (deficiency) of revenue over expenditures</b>	151,304	268,672	39,407	2,889,424	<b>3,348,807</b>	(49,636)
<b>Interfund transfer</b> (note 12)	(44,531)	-	-	44,531	-	-
<b>NET ASSETS, beginning of year</b>	1,377,430	393,435	91,579	197,713	<b>2,060,157</b>	2,109,793
<b>NET ASSETS, end of year</b>	\$ 1,484,203	\$ 662,107	\$ 130,986	\$ 3,131,668	<b>\$ 5,408,964</b>	\$ 2,060,157

The Accompanying Notes are an Integral part of these Financial Statements

**DELTA HOSPITAL FOUNDATION  
STATEMENT OF CASH FLOWS  
For the year ended March 31, 2014**

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Gaming Fund</u>	<u>Hospital Fund</u>	<u>Total 2014</u>	Total 2013
<b>SOURCES OF CASH</b>						
Donations	\$ 1,059,575	\$ 246,492	\$ 41,407	\$ 2,982,285	<b>\$ 4,329,759</b>	\$ 1,356,414
Interest and dividends	28,611	38,103	1,550	-	<b>68,264</b>	50,916
	1,088,186	284,595	42,957	2,982,285	<b>4,398,023</b>	1,407,330
<b>USES OF CASH</b>						
Administration	(287,245)	(1,290)	-	(6,294)	<b>(294,829)</b>	(301,701)
Fundraising programs	(592,190)	-	(3,550)	(43,903)	<b>(639,643)</b>	(465,129)
Medical equipment and education	(333,804)	(15,923)	-	(67,116)	<b>(416,843)</b>	(847,523)
Building and Improvements	-	-	-	(43)	<b>(43)</b>	(39,423)
Purchase of capital assets	(52,231)	-	-	-	<b>(52,231)</b>	(2,274)
	(1,265,470)	(17,213)	(3,550)	(117,356)	<b>(1,403,589)</b>	(1,656,050)
<b>INVESTMENT ACTIVITIES:</b>						
(Increase) in investments	(507,267)	(246,492)	-	(2,766,650)	<b>(3,520,409)</b>	(127,775)
	(507,267)	(246,492)	-	(2,766,650)	<b>(3,520,409)</b>	(127,775)
<b>INCREASE (DECREASE) OF CASH</b>						
	(684,551)	20,890	39,407	98,279	<b>(525,975)</b>	(376,495)
<b>CASH, beginning of year</b>						
	921,742	113,435	91,579	243,166	<b>1,369,923</b>	1,746,418
<b>CASH, end of year</b>						
	\$ 237,191	\$ 134,325	\$ 130,986	\$ 341,445	<b>\$ 843,948</b>	\$ 1,369,923

The Accompanying Notes are an Integral part of these Financial Statements

**DELTA HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014**

**1. NATURE OF ORGANIZATION**

The Delta Hospital Foundation (the Foundation) was incorporated July 20, 1988 under the Society Act of British Columbia as a not-for-profit public foundation and is exempt from income tax as a registered charity under the Income Tax Act. The foundation funds building construction and improvement projects, hospital programs and the purchase of medical equipment for the Delta Hospital. Funds are raised through community appeals for funds by receiving donations, gifts, bequests, special event activities, grants and endowments from all sources.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting**

The Foundation prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), and include the following significant accounting policies.

**Fund accounting**

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

The General Fund includes investment income, bequests, legacies and unspecified donations received for which there are no external restrictions attached by the donor. The fund accounts for the Foundation's program delivery and administrative activities and reports funds internally restricted by the board of directors.

The Endowment Fund includes resources contributed for endowment. Investment income earned on resources of the Endowment Fund is reported in the appropriate restricted funds.

The Gaming Fund accounts for the Foundation's disbursements of funds for hospital equipment based on guidelines provided by the Province of British Columbia. Restricted contributions from gaming activities are reported in this fund.

The Hospital Fund reports donations, related investment income and expenditures subject to restrictions placed by the donors.

**Tangible capital assets**

Purchased capital assets are recorded at cost less accumulated amortization. The foundation provides for amortization utilizing the declining balance method at the following rates:

Office furniture and equipment	20%
Computer hardware	25%

In the year of acquisition, one-half the normal rate of amortization is taken. Contributed capital assets are recorded at fair market value at the date of contribution.

**DELTA HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and Cash Equivalents**

Cash consists of cash on deposit with banks and highly liquid short term interest bearing securities with maturities of three months or less.

**Revenue recognition**

The foundation follows the restricted fund method in which externally restricted contributions (grants and donations) are recognized when they are received in the fund corresponding to the purpose for which they were donated. Unrestricted contributions are recognized in the general fund.

Contributions for endowment are recognized as revenue in the Endowment Fund.

**Use of estimates**

When preparing financial statements according to ASNPO, the Foundation makes estimates and assumptions relating to:

- Reported amounts of revenue and expenses;
- Reported amounts of assets and liabilities; and
- Disclosure of contingent assets and liabilities.

Management's assumptions are based on a number of factors, including historical experience, current events and actions that the organization may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. Actual results could differ from those estimates under different conditions and assumptions. Estimates were used when accounting for certain items, such as the useful lives of capital assets and impairment of long-lived assets. Investment income and management fees are allocated to the General Fund, Endowment Fund and Hospital Fund, the allocation is estimated based on a prorated return to assets invested for each fund.

**Financial Instruments**

Financial assets and financial liabilities are initially recognized at fair value. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are measured at fair value. Changes in fair value are recognized in the statement of operations and changes in fund balances.

Financial assets measured at amortized cost include cash and cash equivalents, term deposits and amounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Foundation's financial assets measured at fair value include the marketable securities. The fair value of these listed investments has been measured using the market price at the reporting date.



**DELTA HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Allocation of expenses**

Commencing in this fiscal year, the Foundation allocated wages and benefits by function. Therefore, staff expenses needed to run community events and donor campaigns throughout the year have been allocated to fundraising.

**Contributed services**

Volunteers contribute numerous hours per year to assist the Foundation in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

**Comparative figures**

Certain prior year's figures have been reclassified for comparative purposes to conform to current year presentation.

**3. PST REFUND**

An application for refund was submitted in March 2014 to the provincial government, for PST that was paid on exempt medical equipment purchases in the fiscal year.

**4. DEFERRED EXPENSES**

Consists of marketing expenses for upcoming events and registration for training courses scheduled after March 31, 2014.

**5. MARKETABLE SECURITIES**

These securities are administered by RBC Global Asset Management Inc. and are recorded at fair market value. The securities are invested in the following investments:

	<b>2014</b>	<b>2013</b>
<b>Marketable Securities</b>		
PH&N Canadian Money Market Fund Series O	\$ 65,577	\$ 70,016
PH&N CV Bond Fund Series O	79,755	543,100
PH&N CV Canadian Equity Fund Series O	588,090	176,720
PH&N CV Global Equity Fund Series O	<u>272,037</u>	<u>87,601</u>
	<b>\$ 1,005,459</b>	<b>\$ 877,437</b>

**6. TERM DEPOSITS**

Term deposits are held at the Envision Credit Union in non-redeemable institutional deposits for terms varying from 24 to 60 months. Current interest rates on these investments range from 0.50% to 2.65%

**DELTA HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014**

**7. TANGIBLE CAPITAL ASSETS**

	2014			2013
	Accumulated		Net	Net
	Cost	Amortization		
Computer Hardware	\$ 28,694	\$ 18,948	\$ 9,746	\$ 9,013
Equipment	<u>86,547</u>	<u>29,107</u>	<u>57,440</u>	<u>13,828</u>
	<u>\$ 115,241</u>	<u>\$ 48,055</u>	<u>\$ 67,186</u>	<u>\$ 22,841</u>

**8. ACCOUNTS PAYABLE**

Consists of:

	2014	2013
Trade payables	\$ 12,424	\$ 5,486
Fraser Health Authority	<u>56,680</u>	<u>208,299</u>
	<u>\$ 69,104</u>	<u>\$ 213,785</u>

**9. GENERAL FUND - INTERNALLY RESTRICTED**

Consists of these named funds:

	2014	2013
Cancer Care	\$ 239,412	\$ 238,564
Cardio Care	244,896	332,998
Emergency Fund	2,989	2,678
Capital Campaign	<u>300,000</u>	<u>44,531</u>
	<u>\$ 787,297</u>	<u>\$ 618,771</u>

**10. ENDOWMENT FUNDS**

	Donations &			2014
	2013	Investment	Educational	Balance
	Balance	Income	Scholarships	Balance
Delta Cedar Products Education Fund	\$ 256,826	\$ 15,292	\$ (14,923)	\$ 257,195
Dr. Kubinski Education Fund	10,000	595	-	10,595
Tyron Fund	-	261,169	-	261,169
Nurses Education Fund	106,609	6,348	-	112,957
R.T. Reynolds Education Fund	<u>20,000</u>	<u>1,191</u>	<u>(1,000)</u>	<u>20,191</u>
	<u>\$ 393,435</u>	<u>\$ 284,595</u>	<u>\$ (15,923)</u>	<u>\$ 662,107</u>

**DELTA HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014**

**11. HOSPITAL FUND**

Consists of these named funds:

	<b>2014</b>	<b>2013</b>
Capital Campaign*	<b>\$ 2,784,183</b>	\$ -
Hospital Departments	<b>320,458</b>	90,793
Other Named Funds	<u>27,027</u>	<u>106,920</u>
	<b><u>\$ 3,131,668</u></b>	<b><u>\$ 197,713</u></b>

\*In December 2013, the Charities Directorate department of the Canada Revenue Agency granted permission to the Foundation to accumulate property for the purpose of a Capital Campaign. For the period April 1, 2013 to March 31, 2016 the Foundation is able to accumulate up to \$5 Million.

**12. INTERFUND TRANSFER**

During the fiscal year the board of directors decided that the March 31, 2012 internally restricted funds held for the Capital Campaign, totaling \$44,531, would be transferred and administered as part of the Hospital Fund for the duration of the campaign.

**13. ART COLLECTION**

The Foundation has received an art collection which is displayed in the Delta Hospital. The appraised value of this collection when received was \$60,535. The Foundation does not account for this collection in its records and incurs no expense in its regard.

**14. CAPITAL MANAGEMENT**

The Foundations's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services to the community in the form of supporting the Delta Hospital.

The Foundation sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

**DELTA HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014**

**15. RESTATED COMPARATIVE FIGURES**

The Foundation has changed the reporting of marketable securities from cost to fair value. As such, the prior years figures have been restated for comparative purposes.

Cost as previously reported	\$ 798,578
FMV adjustment	<u>78,859</u>
Marketable Securities restated	<u>\$ 877,437</u>
Unrealized gain on investments	\$ 11,113
Adjustment to opening net assets	<u>67,746</u>
Total FMV adjustment	<u>\$ 78,859</u>

**16. FINANCIAL INSTRUMENTS**

The Foundation uses risk management to monitor and manage its risk arising from financial instruments. These risks include credit risk, interest rate risk, liquidity risk and market risk.

The Association does not use any derivative financial instruments to mitigate these risks.

**Credit risk**

Credit risks arise from: cash and cash equivalents, accounts receivable, term deposits and marketable securities. Cash and cash equivalents are deposited with reputable, major financial institutions to limit the credit risk exposure. The credit risk from counter parties not paying accounts receivable is not considered to be significant. Term deposits are held with a British Columbia Credit Union and are subject to deposit insurance. Marketable securities are invested in funds managed by financial institutions, and we consider the risk of non-performance of these instruments to be remote.

**Interest rate risk**

The Foundation is exposed to interest rate risk with respect to the following financial instruments: cash and cash equivalents, and investments in interest bearing securities. Changes in interest rates can affect the fair value of investments and the cash flows related to interest income.

**Liquidity risk**

Liquidity risk exposure is dependent on the receipt of funds from donor funds and other sources to enable the Foundation to pay its liabilities as they become due.

**Market risk**

The Foundation is exposed to market risk as the investments in publicly traded securities are subject to fluctuations due to price changes on the market. The prices can also be affected by changes in interest rates and foreign currency exchange rates.

**DELTA HOSPITAL FOUNDATION**  
**SCHEDULE I - DONATION REVENUES**  
**For the year ended March 31, 2014**

	General Fund	Endowment Fund	Gaming Fund	Hospital Fund	<b>Total 2014</b>	Total 2013
<b>Donations</b>						
Annual giving campaign & other	\$ 318,177	\$ -	\$ -	\$ 40,408	<b>\$ 358,585</b>	\$ 403,873
Major gift campaign	111,364	-	-	-	<b>111,364</b>	249,245
Grants	42,433	-	5,000	-	<b>47,433</b>	37,678
Planned giving campaign	169,988	246,492	-	266,650	<b>683,130</b>	175,163
Special events						
-Gala	200,730	-	16,070	-	<b>216,800</b>	279,835
-Golf tournament	163,299	-	8,991	-	<b>172,290</b>	156,658
-Capital Campaign	-	-	7,500	2,675,227	<b>2,682,727</b>	-
-Family Campaign and other events	92,084	-	3,846	-	<b>95,930</b>	15,462
	1,098,075	246,492	41,407	2,982,285	<b>4,368,259</b>	1,317,914

The Accompanying Notes are an Integral part of these Financial Statements

**DELTA HOSPITAL FOUNDATION**  
**SCHEDULE II - FUNDRAISING PROGRAMS, MEDICAL EQUIPMENT AND EDUCATION**  
**BUILDING AND IMPROVEMENTS EXPENDITURES**  
**For the year ended March 31, 2014**

	General Fund	Endowment Fund	Gaming Fund	Hospital Fund	Total 2014	Total 2013
<b>Fundraising Programs</b>						
Annual giving campaign	\$ 120,242	\$ -	\$ -	\$ -	\$ 120,242	\$ 34,445
Block Party	6,267	-	-	-	6,267	-
Gala	43,225	-	50	-	43,275	43,209
Golf tournament	18,351	-	3,375	-	21,726	17,822
Major gift campaign	965	-	-	8,249	9,214	14,813
Marketing and donor recognition	58,865	-	125	35,654	94,644	64,121
Planned giving	2,571	-	-	-	2,571	2,960
Wages and benefits	327,635	-	-	-	327,635	281,593
	578,121	-	3,550	43,903	625,574	458,963
<b>Medical Equipment and Education</b>						
Education and scholarships	\$ 6,201	\$ 15,923	\$ -	\$ -	\$ 22,124	\$ 18,419
Cardiac Care	6,813	-	-	-	6,813	148,303
Emergency	51,188	-	-	23,675	74,863	136,211
Kinsmen Research Fund	-	-	-	-	-	327
Library	-	-	-	-	-	19,035
Medicine	-	-	-	-	-	17,865
Palliative Care	-	-	-	-	-	250
Patient ward	-	-	-	2,891	2,891	-
Residential care	84,209	-	-	19,013	103,222	157,735
Spiritual Care Room	-	-	-	-	-	386
Surgical daycare	-	-	-	12,459	12,459	118,458
Surgical equipment and operating rooms	29,425	-	-	9,078	38,503	-
	177,836	15,923	-	67,116	260,875	616,989
<b>Building and Improvements</b>						
Forest for our future	\$ -	\$ -	\$ -	\$ 3,081	\$ 3,081	\$ 1,665
MasterPlan	-	-	-	(3,038)	(3,038)	37,758
	-	-	-	43	43	39,423

The Accompanying Notes are an Integral part of these Financial Statements