

DELTA HOSPITAL FOUNDATION
FINANCIAL STATEMENTS

March 31, 2017

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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, 2017, and the statement of operations and changes in net assets, statement of cash flows and schedules 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 qualified 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 donations 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, 2017 and its financial performance 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 communication with those charged with governance and with the BC Societies Act, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Cran & Company

Chartered Professional Accountant

Delta, BC

June 30, 2017

**DELTA HOSPITAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
As at March 31, 2017**

ASSETS

	Total 2017	Total 2016
CURRENT		
Cash	\$ 878,049	\$ 872,389
Contributions receivable (note 3)	374,331	648,112
Other assets and accounts receivable (note 4)	66,610	127,694
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TOTAL CURRENT ASSETS	1,318,990	1,648,195
MARKETABLE SECURITIES (note 5)	1,686,931	1,435,631
TERM DEPOSITS (note 6)	5,292,694	5,317,343
TANGIBLE CAPITAL ASSETS (note 7)	44,766	53,127
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TOTAL ASSETS	\$ 8,343,381	\$ 8,454,296

APPROVED BY THE DIRECTORS:

The Accompanying Notes are an Integral part of these Financial Statements

**DELTA HOSPITAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
As at March 31, 2017**

LIABILITIES AND NET ASSETS

	Total 2017	Total 2016
CURRENT LIABILITIES		
Accounts payable (note 8)	\$ 382,474	\$ 428,147
Payroll liabilities	35,365	64,926
Deferred revenue (note 9)	54,000	42,600
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TOTAL LIABILITIES	471,839	535,673
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NET ASSETS		
General Fund - Unrestricted	1,436,816	1,351,154
General Fund - Internally Restricted (note 10)	957,995	728,346
Endowment Fund (note 11)	1,177,817	1,147,527
Gaming Fund	56,029	45,985
Hospital Fund (note 12)	4,242,885	4,645,611
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TOTAL NET ASSETS	7,871,542	7,918,623
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TOTAL LIABILITIES AND NET ASSETS	\$ 8,343,381	\$ 8,454,296
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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, 2017

	<u>General</u> <u>Fund</u>	<u>Endowment</u> <u>Fund</u>	<u>Gaming</u> <u>Fund</u>	<u>Hospital</u> <u>Fund</u>	<u>Total</u> <u>2017</u>	Total 2016
REVENUE						
Donations (schedule I)	\$ 1,476,344	\$ -	\$ 39,926	\$ 169,214	\$ 1,685,484	\$ 3,158,896
Interest and dividends	160,155	25,359	528	-	186,042	155,699
Unrealized gain (loss) on investments	174,248	30,904	-	-	205,152	(80,188)
	1,810,747	56,263	40,454	169,214	2,076,678	3,234,407
OPERATING EXPENDITURES						
Administration(schedule II)	301,901	12,876	125	-	314,902	311,189
Fundraising (schedule II)	645,468	-	3,613	-	649,081	662,692
Net revenue before program spending	863,378	43,387	36,716	169,214	1,112,695	2,260,526
PROGRAM SPENDING						
Medical equipment and education (schedule III)	547,334	13,097	26,672	44,634	631,737	730,825
Building and Improvements (schedule III)	733	-	-	527,306	528,039	183,568
Excess (deficiency) of revenue over expenditures	315,311	30,290	10,044	(402,726)	(47,081)	1,346,133
NET ASSETS, beginning of year	2,079,500	1,147,527	45,985	4,645,611	7,918,623	6,572,490
NET ASSETS, end of year	\$ 2,394,811	\$ 1,177,817	\$ 56,029	\$ 4,242,885	\$ 7,871,542	\$ 7,918,623

The Accompanying Notes are an Integral part of these Financial Statements

**DELTA HOSPITAL FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended March 31, 2017**

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Gaming Fund</u>	<u>Hospital Fund</u>	<u>Total 2017</u>	Total 2016
SOURCES OF CASH						
Donations	\$ 1,761,525	\$ -	\$ 39,926	\$ 169,214	\$ 1,970,665	\$ 2,960,961
Interest and dividends	129,251	56,263	528	-	186,042	155,699
	1,890,776	56,263	40,454	169,214	2,156,707	3,116,660
USES OF CASH						
Administration	(321,675)	(12,876)	(125)	-	(334,676)	(284,056)
Fundraising	(584,384)	-	(3,613)	-	(587,997)	(765,414)
Medical equipment and education	(593,008)	(13,097)	(26,672)	(44,634)	(677,411)	(527,499)
Building and Improvements	-	-	-	(528,039)	(528,039)	(183,568)
Purchase of capital assets	(772)	-	-	-	(772)	(821)
	(1,499,839)	(25,973)	(30,410)	(572,673)	(2,128,895)	(1,761,358)
INVESTMENT ACTIVITIES:						
(Increase) in investments	(22,152)	-	-	-	(22,152)	(1,285,235)
	(22,152)	-	-	-	(22,152)	(1,285,235)
INCREASE (DECREASE) OF CASH						
	368,785	30,290	10,044	(403,459)	5,660	70,067
CASH, beginning of year	35,557	119,745	45,985	671,102	872,389	802,322
CASH, end of year	\$ 404,342	\$ 150,035	\$ 56,029	\$ 267,643	\$ 878,049	\$ 872,389

The Accompanying Notes are an Integral part of these Financial Statements

DELTA HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

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, 2017

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

Contributions, including public support, pledges, bequests and memoriams, corporate and foundations, are recognized when the amount can be reasonably estimated and ultimate collection is reasonably assured.

The foundation follows the restricted fund method in which externally restricted contributions (grants and donations) are recognized 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

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 reporting date and the reported amounts of receipts and disbursements for the reporting period. Actual results could differ from these estimates. Significant financial statement items that require the use of estimates are as follows: amount of accrued liabilities, and the useful life of capital assets. These estimates are reviewed periodically and adjustments are made, as appropriate, in the statement of operations and changes in fund balances in the year they become known.

Allocation of expenses

The Foundation allocates wages and benefits by function. Therefore, staff expenses required to perform community events and donor campaigns throughout the year have been allocated to fundraising based on estimates provided by management.

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.

DELTA HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

3. CONTRIBUTIONS RECEIVABLE

Consists of Capital Campaign pledges and estate gifts expected to be received in the next 12 months. This receivable includes \$17,057 due from related parties, who are board members of the Foundation.

4. OTHER ASSET AND ACCOUNTS RECEIVABLE

Consists of:

	2017	2016
Golf and Gala donations receivable	\$ 23,700	\$ 39,599
Grants receivable	-	47,475
GST recoverable	5,505	8,424
PST recoverable	34,261	25,579
Prepaid expenses	<u>3,144</u>	<u>6,617</u>
	<u>\$ 66,610</u>	<u>\$ 127,694</u>

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:

	2017	2016
Marketable Securities		
PH&N Cash account	\$ 81	\$ 4,386
RBC Bond Fund (Investment Savings)	996	55,000
PH&N CV Canadian Equity Fund Series O	1,119,740	898,493
PH&N CV Global Equity Fund Series O	<u>566,114</u>	<u>477,753</u>
	<u>\$ 1,686,931</u>	<u>\$ 1,435,632</u>

6. TERM DEPOSITS

Term deposits are held at the Envision Credit Union in both redeemable and non-redeemable institutional deposits for terms varying from 1 year to 5 years. Current interest rates on these investments range from 0.50% to 3.00%

DELTA HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

7. TANGIBLE CAPITAL ASSETS

	2017		2016	
	Accumulated		Accumulated	
	Cost	Amortization	Cost	Amortization
Computer Hardware	\$ 33,740	\$ 26,369	\$ 34,442	\$ 25,008
Equipment	86,547	49,152	86,547	42,854
	\$ 120,287	\$ 75,521	\$ 120,989	\$ 67,862
		2017		2016
Net Book Value		\$ 44,766		\$ 53,127

8. ACCOUNTS PAYABLE

Consists of:

	2017	2016
Trade payables	\$ 97,341	\$ 97,341
Fraser Health	285,133	330,806
	\$ 382,474	\$ 428,147

9. DEFERRED REVENUE

Consists of sponsorships received for events scheduled for after March 31, 2017.

10. GENERAL FUND - INTERNALLY RESTRICTED

Consists of these named funds:

	2017	2016
Cancer Care	\$ 183,354	\$ 52,527
Cardio Care	62,265	214,552
Emergency Fund	63,083	61,267
Capital Campaign (note 13)	400,000	400,000
Residential Care	249,293	-
	\$ 957,995	\$ 728,346

DELTA HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

11. ENDOWMENT FUND

	2016	Receipts & Investment		2017
	<u>Balance</u>	<u>Income</u>	<u>Disbursements</u>	<u>Balance</u>
Delta Cedar Products DHF Staff Education Fund	\$ 250,000	\$ 12,224	\$ (4,111)	\$ 258,113
Elmer Tyron - Hospitals Greatest Needs Fund	261,169	12,876	(12,876)	261,169
Hollinger and Rumsey - Nurses Education Fund	616,358	30,177	(8,000)	638,535
R.T. Reynolds High School Education Fund	<u>20,000</u>	<u>986</u>	<u>(986)</u>	<u>20,000</u>
	<u>\$ 1,147,527</u>	<u>\$ 56,263</u>	<u>\$ (25,973)</u>	<u>\$ 1,177,817</u>

12. HOSPITAL FUND

Consists of these named funds:

	2017	2016
Capital Campaign - digital imaging and lab (note 13)	\$ 4,045,957	\$ 4,429,363
Hospital Departments	172,993	208,263
Named Funds	<u>23,935</u>	<u>7,985</u>
	<u>\$ 4,242,885</u>	<u>\$ 4,645,611</u>

13. CAPITAL CAMPAIGN

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, 2019 the Foundation is able to accumulate up to \$5.5 Million. The purpose of this campaign is for the construction of the Peter C. and Elizabeth Toigo Diagnostic Services Building. As of March 31, 2017 the donations and expenditures accumulated are as follows:

Internally restricted funds	\$ 400,000
Donations	4,702,218
Expenditures	<u>(656,261)</u>
Ending balance	<u>\$ 4,445,957</u>

DELTA HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

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.

15. 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.

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.

16. MANAGEMENT REMUNERATION

As part of the new disclosure requirements of the B.C. Societies Act, the Foundation reports they had 3 employees who earned in excess of \$75,000. Total remuneration (which includes, wages and taxable benefits) to these employees for the calendar year 2016 was \$296,572.

DELTA HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

17. COMMITMENTS

The Foundation together with the Delta Hospital Auxiliary has committed \$7.6M to a project with the Fraser Health Authority for construction of a Digital Imagery and Laboratory building on the delta Hospital site. The Foundations portion of the of commitment is \$5.1M of which \$656,261 has been incurred to March 31, 2017. The remainder is expected to be funded in fiscal 2018 and 2019.

DELTA HOSPITAL FOUNDATION
SCHEDULE I
DONATION REVENUES
For the year ended March 31, 2017

	General Fund	Endowment Fund	Gaming Fund	Hospital Fund	Total 2017	Total 2016
Donations						
Annual giving campaign	\$ 350,254	\$ -	\$ -	\$ 51,128	\$ 401,382	\$ 407,765
Major gift campaign	197,174	-	-	-	197,174	432,104
Grants	68,800	-	9,800	-	78,600	128,667
Planned giving campaign	129,498	-	-	-	129,498	798,862
Capital campaign	-	-	-	118,086	118,086	693,009
Family and other campaigns	40,806	-	3,670	-	44,476	52,821
Events						
-Gala	440,029	-	10,784	-	450,813	389,775
-Golf tournament	249,783	-	15,672	-	265,455	255,893
	1,476,344	-	39,926	169,214	1,685,484	3,158,896

The Accompanying Notes are an Integral part of these Financial Statements

DELTA HOSPITAL FOUNDATION
SCHEDULE II
ADMINISTRATION AND FUNDRAISING EXPENDITURES
For the year ended March 31, 2017

	General Fund	Endowment Fund	Gaming Fund	Hospital Fund	Total 2017	Total 2016
Administration						
Amortization	8,626	-	-	-	8,626	9,660
Audit	11,670	-	-	-	11,670	9,169
Education and conferences	8,945	-	-	-	8,945	10,459
Insurance	2,551	-	-	-	2,551	3,172
Investment management	11,948	-	-	-	11,948	10,181
Legal	5,397	-	-	-	5,397	2,558
Office supplies and maintenance	18,781	-	-	-	18,781	23,337
Operations	43,561	-	125	-	43,686	45,688
Wages and benefits	190,422	12,876	-	-	203,298	196,965
	301,901	12,876	125	-	314,902	311,189
Fundraising						
Annual giving campaign	\$ 104,831	\$ -	\$ -	\$ -	\$ 104,831	\$ 103,865
Gala	89,736	-	-	-	89,736	87,763
Golf tournament	43,498	-	3,613	-	47,111	52,600
Major gift campaign	64	-	-	-	64	39
Marketing and donor recognition	77,206	-	-	-	77,206	76,408
Planned giving	563	-	-	-	563	3,056
Wages and benefits	329,570	-	-	-	329,570	338,961
	645,468	-	3,613	-	649,081	662,692

The Accompanying Notes are an Integral part of these Financial Statements

DELTA HOSPITAL FOUNDATION
SCHEDULE III
MEDICAL EQUIPMENT, EDUCATION, BUILDING AND IMPROVEMENTS EXPENDITURES
For the year ended March 31, 2017

	General <u>Fund</u>	Endowment <u>Fund</u>	Gaming <u>Fund</u>	Hospital <u>Fund</u>	Total 2017	Total 2016
Medical Equipment and Education						
Cardiac Care	\$ 113,231	\$ -	\$ -	\$ -	\$ 113,231	\$ 78,163
Cancer Care	129,410	-	26,672	-	156,082	211,619
Education and scholarships	497	13,097	-	-	13,594	21,535
Emergency	-	-	-	-	-	66,741
Digital Imagery	173,500	-	-	-	173,500	-
Orthopedic Surgery	47,504	-	-	-	47,504	-
Pulmonary	-	-	-	-	-	20,000
Rehabilitation	6,000	-	-	-	6,000	-
Residential care	12,848	-	-	42,709	55,557	158,140
Spiritual Care Room	16,075	-	-	1,925	18,000	-
Surgical daycare	48,269	-	-	-	48,269	110,000
Operating rooms	-	-	-	-	-	64,627
	547,334	13,097	26,672	44,634	631,737	730,825
Building and Improvements						
Healing garden	\$ 733	\$ -	\$ -	\$ -	\$ 733	\$ 4,613
Residential Care plan	-	-	-	-	-	50,000
Digital Imaging and Lab	-	-	-	527,306	527,306	128,955
	733	-	-	527,306	528,039	183,568

The Accompanying Notes are an Integral part of these Financial Statements