

Sechelt Hospital Foundation Society

Financial Statements

December 31, 2017

Sechelt Hospital Foundation Society
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Independent Auditor's Report

To the Members of Sechelt Hospital Foundation Society

We have audited the accompanying financial statements of Sechelt Hospital Foundation Society, which comprise the statement of financial position as at December 31, 2017, and the statement of operations and changes in fund balances and the 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

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 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 control relevant to the Society'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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, assets and net assets.

Independent Auditor's Report, continued

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Sechelt Hospital Foundation Society as at December 31, 2017, and the results of its operations and its cash flows for the year then ended then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

**Sechelt, British Columbia
May 14, 2018**

TCG LLP

Chartered Professional Accountants

Sechelt Hospital Foundation Society
Statement of Financial Position

	Unrestricted Fund	Restricted Fund	2017	2016
December 31,				
Assets				
Current				
Cash and cash equivalents	\$ 2,424,168	\$ 79,381	\$ 2,503,549	\$ 4,442,366
Sales taxes receivable	1,997	-	1,997	1,722
Marketable securities	938,911	-	938,911	902,827
Prepaid expenses	4,298	-	4,298	2,525
Interfund receivable (Note 7)	49,566	-	49,566	162
	3,418,940	79,381	3,498,321	5,349,602
Tangible capital assets (Note 3)	395,303	-	395,303	363,399
	\$ 3,814,243	\$ 79,381	\$ 3,893,624	\$ 5,713,001
Liabilities				
Current				
Accounts payable and accrued liabilities	\$ 16,894	\$ -	\$ 16,894	\$ 13,012
Interfund payable (Note 7)	-	49,566	49,566	162
	16,894	49,566	66,460	13,174
Fund balances				
Invested in tangible capital assets	395,303	-	395,303	363,399
Externally restricted (Note 4)	-	29,815	29,815	163,257
Internally restricted (Note 5)	980,180	-	980,180	2,445,032
Unrestricted	2,421,866	-	2,421,866	2,728,139
	3,797,349	29,815	3,827,164	5,699,827
	\$ 3,814,243	\$ 79,381	\$ 3,893,624	\$ 5,713,001

Approved on behalf of the Board

Director



Director



Sechelt Hospital Foundation Society
Statement of Operations and Changes in Fund Balances

	Unrestricted Fund	Restricted Fund	2017	2016
For the year ended December 31				
Revenue				
Donations - specific	\$ -	\$ 17,403	\$ 17,403	\$ 37,600
Donations - non-specific	277,492	-	277,492	411,492
Investment income	119,464	-	119,464	142,488
Fundraising	-	-	-	50,435
	396,956	17,403	414,359	642,015
Expenses				
Operating				
Advertising and marketing	17,870	-	17,870	16,248
Amortization	18,954	-	18,954	15,564
Consulting and clerical	30,376	-	30,376	13,473
Donor recognition	1,839	-	1,839	5,611
Insurance	2,098	-	2,098	1,574
Office and administration	10,101	-	10,101	10,518
Professional fees	28,384	-	28,384	15,478
Training	-	-	-	3,867
Wages and benefits (Note 8)	102,823	-	102,823	82,693
	212,445	-	212,445	165,026
Distribution and fundraising				
Distributions to specific commitments - external	-	95,248	95,248	67,602
Distributions to specific commitments - internal (Note 9)	1,938,740	-	1,938,740	-
Foundation house	28,957	-	28,957	27,866
Fundraising expenses	4,739	-	4,739	24,882
Staff education	6,892	-	6,892	5,448
	1,979,328	95,248	2,074,576	125,798
	2,191,773	95,248	2,287,021	290,824
Excess (deficiency) of revenues over expenditures	(1,794,817)	(77,845)	(1,872,662)	351,191
Balance, beginning of year	5,536,569	163,257	5,699,826	5,348,635
Interfund transfer (Note 6)	55,597	(55,597)	-	-
Balance, end of year	\$ 3,797,349	\$ 29,815	\$ 3,827,164	\$ 5,699,826

Sechelt Hospital Foundation Society
Statement of Cash Flows

For the year ended December 31,	Unrestricted Fund	Restricted Fund	2017	2016
Operating activities				
Excess (deficiency) of revenues over expenditures	\$ (1,794,817)	\$ (77,845)	\$ (1,872,662)	\$ 351,191
Adjustments for				
Amortization	18,954	-	18,954	15,564
	18,954	-	18,954	15,564
	(1,775,863)	(77,845)	(1,853,708)	366,755
Change in non-cash working capital items				
Prepaid expenses	(1,773)	-	(1,773)	3,346
Accrued interest receivable	-	-	-	2
Interfund receivable	(49,404)	-	(49,404)	1,645
Accounts payable and accrued liabilities	3,880	-	3,880	4,012
Sales taxes receivable	(275)	-	(275)	113
Interfund payable	-	49,404	49,404	(1,645)
	(1,823,435)	(28,441)	(1,851,876)	374,228
Investing activities				
Acquisition of capital assets	(50,858)	-	(50,858)	(5,101)
Disposal (acquisition of marketable securities)	(36,083)	-	(36,083)	(574,744)
	(1,910,376)	(28,441)	(1,938,817)	(205,617)
Other				
Interfund transfer	55,273	(55,273)	-	-
Decrease in cash	(1,855,103)	(83,714)	(1,938,817)	(205,617)
Cash, beginning of year	4,279,271	163,095	4,442,366	4,647,983
Cash, end of year	\$ 2,424,168	\$ 79,381	\$ 2,503,549	\$ 4,442,366

Sechelt Hospital Foundation Society

Notes to the Financial Statements

December 31, 2017

1. Incorporation and purpose

Sechelt Hospital Foundation Society (formerly St Mary's Hospital Foundation Society - Sunshine Coast) was incorporated March 18, 1995 under the laws of the Society Act of British Columbia as a not-for-profit organization and has transitioned to the British Columbia Societies act and is a registered charity under the Income Tax Act.

The purpose of the Society is to:

- (a) to raise funds from the community to help enhance the scope and sustain excellence of health care services provided by Vancouver Coastal Health, primarily at Sechelt Hospital and secondarily at other VCH locations across the Sunshine Coast Local Health Area (LHA 46);
- (b) to fund capital facilities and equipment, special projects, medical and scientific research and educational activities aligned, where possible, with the policies, programs and priorities of Vancouver Coastal Health, Sechelt Hospital and the needs of our community;
- (c) to receive, hold and invest bequests, donations, gifts, stocks, bonds, funds and property and to administer and distribute funds, property, endowments, trusts and financial programs for the funding and support of activities of the above;
- (d) to do all such other things as are incidental and ancillary to the attainment of the foregoing purposes and the exercise of the powers of the Society.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows.

(a) Basis of accounting

The Society follows fund accounting principles consisting of the following funds:

The Unrestricted Fund accounts for the Society's unspecified donations, fundraising, membership activities and expenses related to the Society's general operations.

The Restricted Fund accounts for the receipt and distributions of specific donations and bequests of the Society.

(b) Cash equivalents

Cash equivalents consist principally of money market funds and other highly liquid interest-bearing instruments with original maturities of three months or less.

Sechelt Hospital Foundation Society
Notes to the Financial Statements

December 31, 2017

2. Significant accounting policies, continued

(c) Financial instruments

(i) Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Society subsequently measures its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

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

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

Financial assets measured at FMV include investment in securities, which are quoted in active market.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- ♦ the present value of the cash flows expected to be generated by the asset or group of assets;
- ♦ the amount that could be realized by selling the assets or group of assets;
- ♦ the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

Sechelt Hospital Foundation Society
Notes to the Financial Statements

December 31, 2017

2. Significant accounting policies, continued

(d) Revenue recognition

The Society follows the restricted fund method of accounting for contributions. Restricted and unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amounts to be received can be reasonably estimated and collection is reasonably assured.

Contributed capital assets or short-term investments are recorded at fair market value at the time of receipt. Interest income is recognized on an accrual basis. Dividend income is recognized when received.

(e) Tangible capital assets

Tangible capital assets are accounted for at cost and amortized on the basis of their useful life using the straight-line method and rates or duration:

Buildings	Straight-line	40 years
Computer	Straight-line	5 years
Leasehold improvements	Straight-line	5 years
Computer software	Straight-line	5 years

It is the Society's policy to capitalize capital expenditures greater than \$2,500.

(f) Impairment of long-lived assets

The Society tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(g) Income taxes

The Society is exempt from income taxes under section 149 of the Income Tax Act.

(h) Measurement uncertainty

The preparation of financial statements in conformity 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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Sechelt Hospital Foundation Society
Notes to the Financial Statements

December 31, 2017

3. Tangible capital assets

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 228,000	\$ -	\$ 228,000	\$ 228,000
Buildings	259,231	137,136	122,095	128,576
Computer	15,634	7,810	7,824	6,823
Leasehold improvements	46,731	9,346	37,385	-
Computer software	16,955	16,955	-	-
	\$ 566,551	\$ 171,247	\$ 395,304	\$ 363,399

4. Externally restricted net assets (Donor specified)

	2017	2016
Ambulatory	\$ 3,100	\$ 400
Audiology Booth	-	71,130
CADD Pump	176	4,500
Cardiac Holter Monitors	-	12,000
Emergency	-	20,000
Employee Wellness	6,008	-
Mental Health	2,488	2,401
Obstetrics	7,851	981
Pallative	1,597	1,597
Shorncliffe	-	6,504
Totem Lodge	8,595	43,744
	\$ 29,815	\$ 163,257

Sechelt Hospital Foundation Society
Notes to the Financial Statements

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5. Internally restricted net assets

	2017	2016
Ambulatory Care Unit	\$ -	\$ 815,000
Foundation Office Renovation	1,929	50,000
Gibsons Community Health Unit	-	600,000
Long-Term Fund	976,197	905,032
Mental Health Clinical Services Plan	2,054	55,000
Operating Fund	-	20,000
	\$ 980,180	\$ 2,445,032

6. Interfund transfer

During the year, the Society transferred \$15,533 (2016 - \$Nil) from the unrestricted fund to the restricted fund to reflect specific designations and \$71,130 (2016 - \$Nil) from the restricted fund to the unrestricted fund to reflect the completion of a designated purpose.

7. Interfund balances

Interfund amounts receivable and payable are non-interest bearing and have no set terms of repayment

8. Management remuneration

Total remuneration, including benefits, for the Society's executive director for the year was \$102,823

9. Internal distributions to specific commitments

	2017	2016
Ambulatory Care Unit	\$ 1,115,000	\$ -
Gibsons Health Unit	600,000	-
Ultra Sound Machine	137,988	-
Support for Mental Health and Addiction services	85,752	-
Total	\$ 1,938,740	\$ -

Sechelt Hospital Foundation Society
Notes to the Financial Statements

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10. Financial instruments

Credit risk

Credit risk is the risk of financial loss to the Society as a result of a counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from the Society's cash and term deposits which are held with one financial institution. It is the current policy of the Board to place funds only with the Sunshine Coast Credit Union. The Province of British Columbia has provided a 100% guarantee of all deposits with British Columbia credit unions which mitigates any credit risk.

Market risk

The market risk associated with the term deposits is reduced to a minimum since these assets are invested in low risk, highly liquid, interest bearing investments, in accordance with the Society's investment policies. The market risk associated with the short-term investments is reduced to a minimum as it is the Society's policy to either liquidate those investments as soon as possible after receipt or if the underlying investments are determined to be appropriately low-risk by the finance committee then the investments are held and monitored on a regular basis until such time as the committee determines to divest of the holdings.

11. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.