

Sechelt Hospital Foundation Society

Financial Statements

December 31, 2016

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, 2016, 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, 2016, 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 15, 2017

TCG LLP

Chartered Professional Accountants

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

For the year ended December 31,	Unrestricted Fund	Restricted Fund	2016	2015
Revenue				
Donations - specific	\$ -	\$ 37,600	\$ 37,600	\$ 45,482
Donations - non-specific	411,492	-	411,492	2,067,640
Investment income	142,488	-	142,488	67,459
Fundraising	50,435	-	50,435	78,804
	604,415	37,600	642,015	2,259,385
Expenditures				
Operating				
Advertising and marketing	16,248	-	16,248	15,372
Amortization	15,564	-	15,564	11,153
Bank charges	-	-	-	1
Consulting and clerical	13,473	-	13,473	29,062
Donor board	5,611	-	5,611	8,917
Insurance	1,574	-	1,574	1,944
Office and administration	10,518	-	10,518	7,092
Professional fees	15,478	-	15,478	14,682
Training	3,867	-	3,867	-
Wages and benefits	82,693	-	82,693	57,534
	165,026	-	165,026	145,757
Distribution and fundraising				
Distributions to specific commitments - external	-	67,602	67,602	174,665
Distributions to specific commitments - internal	-	-	-	503,190
Fundraising expenses	24,882	-	24,882	20,223
Foundation house	27,866	-	27,866	25,543
Staff education	5,448	-	5,448	3,852
	58,196	67,602	125,798	727,473
	223,222	67,602	290,824	873,230
Excess (deficiency) of revenues over expenditures	381,193	(30,002)	351,191	1,386,155
Excess (deficiency) of revenues over expenditures	381,193	(30,002)	351,191	1,386,155
Fund Balances, opening	5,068,712	279,923	5,348,635	3,962,480
Interfund transfer (Note 6)	86,664	(86,664)	-	-
Fund Balances, closing	\$ 5,536,569	\$ 163,257	\$ 5,699,826	\$ 5,348,635

Sechelt Hospital Foundation Society
Statement of Financial Position

December 31,	Unrestricted Fund	Restricted Fund	2016	2015
Assets				
Current				
Cash and cash equivalents	\$ 4,279,271	\$ 163,095	\$ 4,442,366	\$ 4,647,983
Sales taxes receivable	1,722	-	1,722	1,835
Marketable securities	902,827	-	902,827	328,083
Prepaid expenses	2,525	-	2,525	5,871
Interfund receivable (Note 7)	-	162	162	1,483
	<u>5,186,345</u>	<u>163,257</u>	<u>5,349,602</u>	<u>4,985,255</u>
Tangible capital assets (Note 3)	363,399	-	363,399	373,863
	<u>\$ 5,549,744</u>	<u>\$ 163,257</u>	<u>\$ 5,713,001</u>	<u>\$ 5,359,118</u>
Liabilities				
Current				
Accounts payable and accrued liabilities	\$ 13,012	\$ -	\$ 13,012	\$ 9,000
Interfund payable (Note 7)	162	-	162	1,483
	<u>13,174</u>	<u>-</u>	<u>13,174</u>	<u>10,483</u>
Fund balances				
Invested in tangible capital assets	363,399	-	363,399	373,863
Externally restricted (Note 4)	-	163,257	163,257	279,923
Internally restricted (Note 5)	2,445,032	-	2,445,032	1,034,647
Unrestricted	2,728,139	-	2,728,139	3,660,202
	<u>5,536,570</u>	<u>163,257</u>	<u>5,699,827</u>	<u>5,348,635</u>
	<u>\$ 5,549,744</u>	<u>\$ 163,257</u>	<u>\$ 5,713,001</u>	<u>\$ 5,359,118</u>

Approved on behalf of the Board

Director 

Director 

Sechelt Hospital Foundation Society
Statement of Cash Flows

For the year ended December 31,	Unrestricted Fund	Restricted Fund	2016	2015
Operating activities				
Net income (loss)	\$ 381,193	\$ (30,002)	\$ 351,191	\$ 1,386,155
Adjustments for Amortization	15,564	-	15,564	11,153
	15,564	-	15,564	11,153
	396,757	(30,002)	366,755	1,397,308
Change in non-cash working capital items				
Prepaid expenses	3,346	-	3,346	(3,871)
Sales taxes receivable	113	-	113	1,541
Accrued interest receivable	2	-	2	8,594
Interfund receivable	1,645	-	1,645	351,300
Accounts payable and accrued liabilities	4,012	-	4,012	-
Interfund payable	-	(1,645)	(1,645)	(351,300)
	405,875	(31,647)	374,228	1,403,572
Investing activities				
Acquisition of capital assets	(5,101)	-	(5,101)	(2,102)
Disposal (acquisition) of marketable securities	(574,744)	-	(574,744)	(325,233)
Cash from term deposits	-	-	-	764,289
	(173,970)	(31,647)	(205,617)	1,840,526
Other				
Interfund transfer	86,664	(86,664)	-	-
Increase (decrease) in cash	(87,306)	(118,311)	(205,617)	1,840,526
Cash, beginning of year	4,366,577	281,406	4,647,983	2,807,457
Cash, end of year	\$ 4,279,271	\$ 163,095	\$ 4,442,366	\$ 4,647,983

Sechelt Hospital Foundation Society

Notes to the Financial Statements

December 31, 2016

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 is a registered charity under the Income Tax Act.

The purpose of the Society is to:

- (a) to sustain and enhance the scope and excellence of the health care services provided by Vancouver Coastal Health primarily at Sechelt Hospital and secondarily to other VCH services across the Lower Sunshine Coast, through community fundraising for physical and equipment capital costs, and special projects.
- (b) to fund, facilitate and promote medical and scientific research and educational activities consistent with the policies, programs and priorities of Vancouver Coastal Health and Sechelt Hospital and intended to enhance the provision of health and hospital care;
- (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 Part III of the CICA Handbook Accounting Standards for Non-for-Profit Organizations.

(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 distribution 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, 2016

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, 2016

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. Amortization is based on their useful life using the straight-line method and rates:

Buildings	Straight-line	40 years
Computer	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, 2016

3. Tangible Capital assets

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 228,000	\$ -	\$ 228,000	\$ 228,000
Buildings	259,231	130,655	128,576	135,057
Computer	11,507	4,684	6,823	4,024
Computer software	16,955	16,955	-	6,782
	\$ 515,693	\$ 152,294	\$ 363,399	\$ 373,863

The Society revised the estimated useful life of its computer software. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the amortization charges of the Society for the current financial year end have been increased by \$ 3,391.

4. Externally restricted net assets (Donor specified)

	2016	2015
ACU Cancer	\$ -	\$ 74,714
ACU Chemo Suite	-	3,500
Ambulatory	400	11,500
Audiology Booth	71,130	-
CADD Pump	4,500	-
Cardiac Holter Monitors	12,000	-
CT Scanner Upgrade	-	50,000
Emergency	20,000	-
Mental Health	2,401	3,116
Obstetrics	981	981
Palliative	1,597	1,547
Pediatrics/Maternity	-	71,130
Shorncliffe	6,504	6,504
Totem Lodge	43,744	110,431
	\$ 163,257	\$ 279,923

Sechelt Hospital Foundation Society
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5. Internally restricted net assets

	2016	2015
Ambulatory Care Unit	\$ 815,000	\$ -
Closed Loop Medication System	-	500,000
Foundation Office Renovation	50,000	-
Gibsons Community Health Unit	600,000	-
Long-Term Fund	905,032	339,647
Mental Health Clinical Services Plan	55,000	-
Operating Fund	20,000	120,000
Staff Communication Device	-	75,000
	\$ 2,445,032	\$ 1,034,647

The internally restricted balances in the prior year relating to the Staff Communication Unit and the Closed Loop Medication System were transferred back to the unrestricted net assets as a result of these Vancouver Coastal Health projects not going ahead.

6. Interfund transfer

The Society transferred \$86,664 (2015 - \$2,400) from its Restricted fund to an internally restricted fund (note 5) in order to reflect a combined commitment to the Ambulatory Care Unit.

7. Interfund balances

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

8. Financial instruments

Financial instruments consist of recorded amounts of cash, term deposits, investments in securities and accounts receivable which will result in future cash receipts, as well accounts payable and accruals which will result in future cash outlays.

The Society is exposed to the following risks in respect of certain financial instruments held:

(a) 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.

Sechelt Hospital Foundation Society
Notes to the Financial Statements

December 31, 2016

8. Financial instruments, continued

(b) 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.

9. 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.