

Fraser Valley Health Care Foundation
Financial Statements
March 31, 2018

Independent Auditors' Report

To the Directors of Fraser Valley Health Care Foundation:

We have audited the accompanying financial statements of Fraser Valley Health Care Foundation, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in fund balances and 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.

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 the auditors' 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 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether, as at and for the year ended March 31, 2018, any adjustments might be necessary to donation revenues and excess of revenues over expenses reported in the statement of operations, excess of revenues over expenses reported in the statement of cash flows, and current assets and fund balances reported in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2018.

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 Fraser Valley Health Care Foundation as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

The financial statements of Fraser Valley Health Care Foundation, for the year ended March 31, 2017, were audited by another auditor, who expressed a qualified opinion for the reason described in the above two paragraphs. Their audit report was dated September 19, 2017.

The previous report dated September 18, 2018 has been withdrawn and the financial information has been revised. We draw attention to Note 8 to the financial statements which describes the revisions to the financial statements.

Report on Other Legal and Regulatory Requirements

As required by the Societies 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.

Abbotsford, British Columbia

September 17, 2019

MNP LLP

Chartered Professional Accountants

Fraser Valley Health Care Foundation
Statement of Financial Position
As at March 31, 2018

| | 2018 | 2017 |
|---------------------------------|------------------|------------------|
| Assets | | |
| Current | | |
| Cash | 109,240 | 501,901 |
| Short-term investments (Note 3) | 3,228,862 | 2,747,042 |
| PST and GST receivable | 67,359 | 54,895 |
| | 3,405,461 | 3,303,838 |
| Liabilities | | |
| Current | | |
| Accounts payable and accruals | 245,118 | 344,281 |
| Fund Balances | | |
| General | 1,010,770 | 910,475 |
| Restricted | 2,149,573 | 2,049,082 |
| | 3,160,343 | 2,959,557 |
| | 3,405,461 | 3,303,838 |

Approved on behalf of the Board

Director

Director

Fraser Valley Health Care Foundation

Statement of Operations

For the year ended March 31, 2018

| | <i>General</i> | <i>Restricted</i> | <i>2018</i> | <i>2017</i> |
|---|----------------|-------------------|-------------|-------------|
| Revenue | | | | |
| Donations | 616,316 | 1,489,234 | 2,105,550 | 2,005,836 |
| Investment income | 125,486 | - | 125,486 | 80,564 |
| Unrealized gains (losses) on short-term investments | (32,945) | - | (32,945) | 39,397 |
| | 708,857 | 1,489,234 | 2,198,091 | 2,125,797 |
| Expenses | | | | |
| Advertising and promotion | 42,655 | - | 42,655 | 33,210 |
| Donor/volunteer recognition | 5,627 | - | 5,627 | 12,526 |
| Fundraising expenses | 21,736 | 67,294 | 89,030 | 88,122 |
| Insurance | 3,262 | - | 3,262 | 2,745 |
| Investment advisory fees | 29,194 | - | 29,194 | 21,449 |
| Minor equipment and computer maintenance | 2,016 | - | 2,016 | 568 |
| Office and miscellaneous | 46,270 | - | 46,270 | 37,493 |
| Professional fees | 55,426 | - | 55,426 | 31,594 |
| Wages and benefits | 368,198 | - | 368,198 | 349,898 |
| | 574,384 | 67,294 | 641,678 | 577,605 |
| Excess of revenue over expenses before other items | 134,473 | 1,421,940 | 1,556,413 | 1,548,192 |
| Other items | | | | |
| Disbursements to Fraser Health | - | (1,321,449) | (1,321,449) | (1,098,786) |
| Unrealized gains (losses) on foreign exchange | (34,178) | - | (34,178) | 20,556 |
| | (34,178) | (1,321,449) | (1,355,627) | (1,078,230) |
| Excess of revenue over expenses | 100,295 | 100,491 | 200,786 | 469,962 |

The accompanying notes are an integral part of these financial statements

Fraser Valley Health Care Foundation
Statement of Changes in Fund Balances

For the year ended March 31, 2018

| | <i>General</i> | <i>Restricted</i> | <i>2018</i> | <i>2017</i> |
|--|------------------|-------------------|------------------|-------------|
| Balance, beginning of year | 910,475 | 2,049,082 | 2,959,557 | 2,489,595 |
| Excess of revenue over expenses | 100,295 | 100,491 | 200,786 | 469,962 |
| Balance, end of year | 1,010,770 | 2,149,573 | 3,160,343 | 2,959,557 |

The accompanying notes are an integral part of these financial statements

Fraser Valley Health Care Foundation
Statement of Cash Flows
For the year ended March 31, 2018

| | 2018 | 2017 |
|---|-----------|-----------|
| Cash provided by (used for) the following activities | | |
| Operating | | |
| Excess of revenue over expenses | 200,786 | 469,962 |
| Unrealized (gains) losses on short-term investments | 32,945 | (39,397) |
| Unrealized (gains) losses on foreign exchange | 34,178 | (20,556) |
| | 267,909 | 410,009 |
| Changes in working capital accounts | | |
| PST and GST receivable | (12,464) | (29,788) |
| Accounts payable and accruals | (99,163) | (562,705) |
| | 156,282 | (182,484) |
| Investing | | |
| Increase in short-term investments | (548,943) | (54,557) |
| Decrease in cash resources | (392,661) | (237,041) |
| Cash resources, beginning of year | 501,901 | 738,942 |
| Cash resources, end of year | 109,240 | 501,901 |

The accompanying notes are an integral part of these financial statements

Fraser Valley Health Care Foundation
Notes to the Financial Statements
For the year ended March 31, 2018

1. Incorporation and nature of the organization

Fraser Valley Health Care Foundation (the "Organization") was incorporated under the Society Act (B.C.) on April 11, 2002 in order to continue to undertake the activities previously conducted by the Fraser Valley Health Care Foundation Society and the Chilliwack Hospital Foundation Society. The Foundation is a Not-For-Profit organization and is a registered charity under the Income Tax Act, and as such is exempt from federal and provincial income taxes. The purpose of the Foundation is to raise funds to further the improvement of health care in the facilities and programs operated, funded or endorsed by Fraser Health Authority ("Fraser Health"), within the Fraser Valley Regional Hospital District through providing support for equipment, education, research, operations, construction, and development.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, which are part of the generally accepted accounting principles, and include the following significant accounting policies:

Basis of accounting

The Foundation follows the restricted fund method of accounting for donations, thereby recognizing donations and investment income as revenue in the appropriate restricted funds as specified by donors. The fund classifications are:

a) Restricted fund

On the majority of donations received which have been designated for specific purposes, the Foundation classifies 75% as restricted revenues and 25% as general revenues. The restricted fund balance comprises the cumulative excess of restricted revenue, over the related expenses.

b) General fund

The general fund comprises the cumulative excess of unrestricted and undesignated revenues, over the related expenses.

Revenue recognition

Donations are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recorded in the appropriate fund on the accrual basis.

Short-term investments

Short-term investments are portfolio investments recorded at fair value, with changes to fair value recorded as investment income or loss.

Included in the portfolio are individual bonds, as well as pooled bond funds. The pooled bond funds invest in federal, provincial, and corporate bonds with a minimum BBB (medium) credit rating. Bonds are valued using published market quotations. The interest rates on bonds range from 1.88% to 5.05% and mature between May 2019 and March 2028.

Pledges

Pledges receivable are not recorded by the Foundation.

At year-end, the Foundation has outstanding pledges receivable of \$362,500 (2017 - \$282,000).

Foreign currency translation

These financial statements have been presented in Canadian dollars, the principal currency of the Organization's operations.

Fraser Valley Health Care Foundation

Notes to the Financial Statements

For the year ended March 31, 2018

2. Significant accounting policies *(Continued from previous page)*

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and monetary liabilities reflect the exchange rates at the statement of financial position date. Gains and losses on translation or settlement are included in the determination of excess of revenues over expenses for the current period.

Donated services

The work of the Foundation is dependant on the voluntary services of many individuals. Since these services are not normally purchased by the Foundation, and because of the difficulty in determining their fair value, donated services are not recorded in these statements.

Measurement uncertainty (use of estimates)

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

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 has not elected to carry any such financial instruments at fair value.

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 costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets 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.

3. Short-term investments

| | 2018 | 2017 |
|---|------------------|------------------|
| Cash trading account | 89,928 | 98,395 |
| Bonds and other fixed income securities | 1,342,570 | 1,373,296 |
| Equities | 1,796,364 | 1,275,351 |
| | 3,228,862 | 2,747,042 |

Fraser Valley Health Care Foundation
Notes to the Financial Statements
For the year ended March 31, 2018

4. Related party transactions

During the year, the Foundation carried out the following transactions with Fraser Health:

- (a) Payments to Fraser Health against operating payables of \$377,096 (2017 - \$372,072).
- (b) Payments to Fraser Health against equipment and programs payables of \$1,264,791 (2017 - \$510,158).

Included in accounts payable and accrued liabilities are amounts owed to Fraser Health as follows:

- (a) Amounts payable for wages and general operating expenditures paid by Fraser Health on behalf of the Foundation of \$41,432 (2017 - \$64,598).
- (b) Amounts payable for general equipment, to be disbursed to Fraser Health of \$149,819 (2017 - \$241,663).

5. Employee compensation

During the year ended March 31, 2018, the Foundation paid a total of \$102,890 (2017 - \$99,990) in salaries and benefits to one employee with remuneration of \$75,000 or greater.

6. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at March 31, 2018, the following items are denominated in United States currency:

| | 2018 | 2017 |
|------------------------|----------------|--------------|
| | USD\$ | USD\$ |
| Short-term investments | 540,472 | 575,803 |

Risk Management Policy

The Foundation is exposed to fluctuations in market prices of United States securities and a mix of Canadian fixed income securities, interest rates and credit risks on Canadian fixed income securities. These risks are mitigated by the Foundation's investment policies, standards and procedures which prescribe the asset mix of investments, including the credit ratings of bond issuers. These policies, standards and procedures are designed to avoid undue risk of loss and impairment of assets and to provide a reasonable expectation of fair return given the nature of the investments. The maximum investment risk of the Association is represented by the market value of the investments.

Fraser Valley Health Care Foundation

Notes to the Financial Statements

For the year ended March 31, 2018

6. Financial instruments (Continued from previous page)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Foundation manages interest rate risk by changing the asset mix of investments as required to deal with expected changes in interest rates.

The Foundation is exposed to interest rate risk with respect to its short-term investments.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization's investments in publicly-traded securities and corporate bonds exposes the Organization to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

7. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

8. Correction of an error

It was determined by the Foundation that total internally restricted donations for the year ended March 31, 2018 was reported incorrectly. Corrections have been recorded to properly reflect internally restricted amounts totaling \$1,489,234, an increase of \$860,700 from the originally reported balance.