

Financial Statements of

**PEACE ARCH HOSPITAL AND  
COMMUNITY HEALTH FOUNDATION**

Year ended March 31, 2012



**KPMG LLP**  
**Chartered Accountants**  
Metrotower II  
Suite 2400 - 4720 Kingsway  
Burnaby BC V5H 4N2  
Canada

Telephone (604) 527-3600  
Fax (604) 527-3636  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## INDEPENDENT AUDITORS' REPORT

To the Directors of Peace Arch Hospital and Community Health Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Peace Arch Hospital and Community Health Foundation, which comprise the statement of financial position as at March 31, 2012, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 generally accepted accounting principles, 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 our 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, we consider 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 entity derives revenue from cash donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the entity and we were not able to determine whether any adjustments might be necessary to contributions, excess (deficiency) of revenue over expenses, current assets and net assets.

#### *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 Peace Arch Hospital and Community Health Foundation as at March 31, 2012 and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

#### **Report on Other Legal and Regulatory Requirements**

As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

June 25, 2012

Burnaby, Canada

**PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION**  
Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 3)	\$ 1,938,826	\$ 1,801,376
Restricted cash and cash equivalents (notes 3 and 4)	1,021,080	1,094,961
Restricted marketable securities (notes 3 and 4)	411,745	919,865
Marketable securities (note 3)	10,623,047	10,179,055
Accounts receivable	275,414	95,553
Accrued dividends and interest	71,862	83,096
Prepaid expenses	6,505	64,546
	<u>14,348,479</u>	<u>14,238,452</u>
Restricted long-term investments (notes 3 and 4)	5,489,444	4,625,795
Capital assets (note 5)	7,841,218	7,918,429
Cash surrender value of life insurance	62,339	53,316
	<u>\$ 27,741,480</u>	<u>\$ 26,835,992</u>

**Liabilities and Net Assets**

Current liabilities:		
Accounts payable and accrued liabilities	\$ 536,635	\$ 848,016
Due to Fraser Health Authority:		
Operating expenses	76,935	-
Peace Arch Hospital contributions	354,478	708,656
Deferred revenue	127,020	87,020
	<u>1,095,068</u>	<u>1,643,692</u>
Net assets:		
Unrestricted	11,882,925	10,633,250
Internally restricted	136,155	124,202
Externally restricted	5,884,408	5,622,373
Invested in capital assets	7,841,218	7,918,429
Endowment	901,706	894,046
	<u>26,646,412</u>	<u>25,192,300</u>
Commitments (note 8)		
	<u>\$ 27,741,480</u>	<u>\$ 26,835,992</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

# PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

## Statement of Operations

Year ended March 31, 2012, with comparative figures for 2011

	Unrestricted	Restricted Funds			Total restricted	Endowment	Total 2012	Total 2011
		Internally restricted	Externally restricted	Capital assets				
<b>Revenue:</b>								
Donations	\$ 1,659,667	\$ -	\$ 1,968,034	\$ -	\$ 1,968,034	\$ 365	\$ 3,628,066	\$ 4,810,850
Special events	538,931	-	38,081	-	38,081	-	577,012	587,035
Gaming								
Win'Fall Lottery	-	-	4,005,400	-	4,005,400	-	4,005,400	-
Raffle	-	-	10,810	-	10,810	-	10,810	-
Other rental income	114,854	-	-	-	-	-	114,854	118,287
Ancillary parking	362,380	-	-	-	-	-	362,380	316,646
Investment income and gain on sale of investments	342,372	-	(45,789)	-	(45,789)	15,220	311,803	584,437
Change in unrealized loss on investments classified as held for trading	194,842	-	-	-	-	-	194,842	796,326
	<u>3,213,046</u>	<u>-</u>	<u>5,976,536</u>	<u>-</u>	<u>5,976,536</u>	<u>15,585</u>	<u>9,205,167</u>	<u>7,213,581</u>
<b>Expenses:</b>								
Fundraising	561,378	-	-	-	-	-	561,378	573,637
Gaming	-	-	4,762,325	-	4,762,325	-	4,762,325	-
Ancillary parking	70,039	-	-	-	-	-	70,039	4,868
Salaries, wages and benefits	900,852	-	-	-	-	-	900,852	705,828
Office and administration	360,849	-	770	-	770	-	361,619	374,438
Amortization of capital assets	-	-	-	98,495	98,495	-	98,495	75,701
	<u>1,893,118</u>	<u>-</u>	<u>4,763,095</u>	<u>98,495</u>	<u>4,861,590</u>	<u>-</u>	<u>6,754,708</u>	<u>1,734,472</u>
Excess (deficiency) of revenue over expenses before the following:	1,319,928	-	1,213,441	(98,495)	1,114,946	15,585	2,450,459	5,479,109
Community grants	-	22,121	5,344	-	27,465	3,000	30,465	45,747
Contributions to Peace Arch Hospital	-	14,895	608,075	-	622,970	4,925	627,895	3,985,737
Contributions to City of White Rock	-	-	337,987	-	337,987	-	337,987	1,668,431
Excess (deficiency) of revenue over expenses	\$ 1,319,928	\$ (37,016)	\$ 262,035	\$ (98,495)	\$ 126,524	\$ 7,660	\$ 1,454,112	\$ (220,806)

See accompanying notes to financial statements.

## PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

### Statement of Changes in Net Assets

Year ended March 31, 2012, with comparative figures for 2011

	Restricted Funds						Total 2012	Total 2011
	Unrestricted	Internally restricted	Externally restricted	Invested in capital assets	Total restricted	Endowment		
Net assets, beginning of year	\$ 10,633,250	\$ 124,202	\$ 5,622,373	\$ 7,918,429	\$ 13,665,004	\$ 894,046	\$ 25,192,300	\$ 25,413,106
Excess (deficiency) of revenue over expenses	1,319,928	(37,016)	262,035	(98,495)	126,524	7,660	1,454,112	(220,806)
Net change in invested in capital assets (note 6)	(21,284)	-	-	21,284	21,284	-	-	-
Fund transfers during the year	(48,969)	48,969	-	-	48,969	-	-	-
Net assets, end of year	\$ 11,882,925	\$ 136,155	\$ 5,884,408	\$ 7,841,218	\$ 13,861,781	\$ 901,706	\$ 26,646,412	\$ 25,192,300

See accompanying notes to financial statements.

# PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 1,454,112	\$ (220,806)
Items not involving cash:		
Amortization of capital assets	98,495	75,701
Change in market value of investments	(194,842)	(796,326)
Loss (gain) on sale of investments	285,093	(584,437)
Increase in cash surrender value of life insurance	(9,023)	(11,390)
Change in non-cash operating working capital:		
Accounts receivable	(179,861)	(22,654)
Accrued dividends and interest	11,234	(15,013)
Prepaid expenses	58,041	(32,412)
Accounts payable and accrued liabilities and due to Fraser Health Authority	(588,624)	224,625
Deferred revenue	40,000	(46,526)
	<u>974,625</u>	<u>(1,429,238)</u>
Investing:		
Decrease in restricted cash and cash equivalents	73,881	(119,981)
Proceeds from sale of marketable securities and long-term investments	14,678,401	20,883,949
Purchase of marketable securities and long-term investments	(15,568,173)	(21,663,865)
Purchase of capital assets	(21,284)	(548,329)
	<u>(837,175)</u>	<u>(1,448,226)</u>
Increase (decrease) in cash and cash equivalents	137,450	(2,877,464)
Cash and cash equivalents, beginning of year	1,801,376	4,678,840
Cash and cash equivalents, end of year	<u>\$ 1,938,826</u>	<u>\$ 1,801,376</u>

See accompanying notes to financial statements.

# PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

## Notes to Financial Statements

Year ended March 31, 2012

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### 1. Operations:

Peace Arch Hospital and Community Health Foundation (the "Foundation") is incorporated under the Society Act (British Columbia). Its principal purpose is to raise money to enhance quality health care in the community of South Surrey/White Rock. The Foundation is a registered charity under the Income Tax Act (the "Act") and accordingly is exempt from income taxes, provided certain requirements of the Act are met.

### 2. Significant accounting policies:

#### (a) Basis of presentation:

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

#### (b) Fund accounting:

The Foundation follows fund accounting, giving recognition to restrictions on the use of resources specified by donors. The fund classifications are as follows:

##### (i) Externally restricted fund:

The externally restricted fund includes donations and other funding received by the Foundation which has been designated for specific purposes by the donor or the gaming authority.

##### (ii) Internally restricted fund:

The internally restricted fund includes amounts designated for specific purposes by the Board of Directors.

##### (iii) Capital assets fund:

The capital assets fund includes capital assets purchased by the Foundation.

##### (iv) Unrestricted fund:

The unrestricted fund includes unrestricted revenue and donations received by the Foundation.

##### (v) Endowment fund:

The endowment fund includes six endowments. The annual investment income earned from these endowments is used for specific purposes as follows: the support of annual patient care equipment; the upkeep of specific equipment; educational purposes; the enhancement of medical staff recruitment to the White Rock/South Surrey area; and support the area of the greatest need at Peace Arch Hospital as determined by the Board of Directors.



# PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

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## 2. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents include investments with a term to maturity of three months or less at the date of purchase.

(d) Restricted cash, marketable securities and long-term investments:

Restricted cash, marketable securities and long-term investments are funds held for use on specific purposes restricted by donors.

Fixed income investments maturing within one year of the statement of financial position date and equity securities are classified as marketable securities. Fixed income investments maturing after one year are classified as long-term investments.

(e) Gaming Operations - Win'Fall Lottery:

The Win'Fall Lottery is carried out by the Foundation and the relevant revenue and expense are shown on a gross basis in the statement of operations.

(f) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis using the following number of years:

Assets	Years
Parking lots	20
Office renovations	3
Office equipment	5
Computers	3
Website development	3

(g) Financial instruments:

The Foundation accounts for its financial instruments in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, and as permitted for not-for-profit organizations, CICA Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*. All financial instruments are initially recorded at fair value. All non-derivative financial assets and liabilities are subsequently measured at fair value with the exception of loans and receivables and held-to-maturity investments, which are measured at amortized cost. The standards also require that gains and losses on financial instruments measured at fair value be recognized in net income in the periods in which they arise, with the exception of unrealized gains and losses on financial assets classified as available-for-sale, which are recognized directly in the appropriate fund in net assets until the financial asset is derecognized or becomes impaired.

# PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

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## 2. Significant accounting policies (continued):

### (g) Financial instruments (continued):

The Foundation's financial instruments include cash and cash equivalents, marketable securities, accounts receivable, accrued dividends and interest, long-term investments, cash surrender value of life insurance, accounts payable and accrued liabilities and amounts due to Fraser Health Authority. The Foundation classifies its accounts receivable as loans and receivables, its cash surrender value of life insurance as held-to-maturity, its other financial assets as held for trading and its financial liabilities as other liabilities.

### (h) Cash surrender value of life insurance:

The Foundation is the owner and beneficiary of various life insurance policies. These policies are classified as held-to-maturity and recorded at amortized cost. The premiums are allocated between insurance costs and income earned. The amortized cost equals the fair value based on cash surrender value. The premiums are paid either by the donors of the policies or by the Foundation out of monies donated to it for that purpose. The proceeds of these policies are recognized as revenue when received.

### (i) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions which include donations and funds raised through special events and lotteries. Donations are recorded in the appropriate fund when received.

### (j) Contributed materials and services:

Contributed materials are recorded at their fair market values where the amount is reasonably determinable.

Fraser Health Authority provides office space for the Foundation at no charge.

A substantial number of volunteers contribute a significant amount of time to the Foundation each year. Because of the difficulty in determining their fair values, these contributed services are not recognized in the financial statements.

### (k) General and administration expenses:

All expenses related to general management, marketing and administrative activities, are expensed in the period in which they are incurred. General and administration expenses are included in the unrestricted fund and are not allocated to the other funds.

### (l) Use of estimates:

The preparation of financial statements 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 revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to valuation of accounts receivable, useful lives for amortization of capital assets and provisions for accrued liabilities and contingencies. Actual results may ultimately differ from these estimates.

# PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 2. Significant accounting policies (continued):

(m) Changes in accounting framework:

The Foundation has elected to adopt the new accounting standards for not-for-profit organizations effective April 1, 2012.

The Foundation is evaluating the impact of adopting the new accounting standards for not-for-profit organizations.

## 3. Investments:

The aggregate market value of the Foundation's cash and cash equivalents, restricted cash and cash equivalents, restricted marketable securities, marketable securities and restricted long-term investments consists of:

	2012	2011
Cash and cash equivalents	\$ 4,115,053	\$ 3,654,614
Fixed income securities	6,236,616	6,831,521
Common stock and equivalents	9,132,473	8,134,917
	<u>\$ 19,484,142</u>	<u>\$ 18,621,052</u>

  

	2012	2011
Cash and cash equivalents	\$ 1,938,826	\$ 1,801,376
Restricted cash and cash equivalents	1,021,080	1,094,961
Restricted marketable securities	411,745	919,865
Marketable securities	10,623,047	10,179,055
Restricted long-term investments	5,489,444	4,625,795
	<u>\$ 19,484,142</u>	<u>\$ 18,621,052</u>

The Foundation's long-term investments are comprised of fixed income securities. These fixed income securities not expected to mature in the next fiscal year are classified as long-term investments.

# PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 4. Restricted amounts:

Restricted cash, marketable securities and long-term investments provide for the balances in the externally restricted fund, internally restricted fund and endowment fund.

	2012	2011
Restricted funds available:		
Cash and cash equivalents	\$ 1,021,080	\$ 1,094,961
Marketable securities	411,745	919,865
Long-term investments	5,489,444	4,625,795
	<b>\$ 6,922,269</b>	<b>\$ 6,640,621</b>

	2012	2011
Restricted funds required:		
Internally restricted funds	\$ 136,155	\$ 124,202
Externally restricted funds	5,884,408	5,622,373
Endowment	901,706	894,046
	<b>\$ 6,922,269</b>	<b>\$ 6,640,621</b>

## 5. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Parking lots	\$ 7,821,998	\$ 34,230	\$ 7,787,768	\$ 7,815,294
Office renovations	113,032	84,568	28,464	66,142
Office equipment	52,393	27,407	24,986	20,892
Computers	66,946	66,946	-	10,976
Website development	15,375	15,375	-	5,125
	<b>\$ 8,069,744</b>	<b>\$ 228,526</b>	<b>\$ 7,841,218</b>	<b>\$ 7,918,429</b>

# PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 6. Invested in capital assets:

Change in net assets invested in capital assets is comprised of the following:

	2012	2011
Excess of expenses over revenue:		
Amortization of capital assets	\$ (98,495)	\$ (75,701)
Net change in invested in capital assets:		
Purchase of capital assets	21,284	548,329
	\$ (77,211)	\$ 472,628

## 7. Employee pension benefits:

The Foundation and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2009 indicated an unfunded liability of approximately \$1,024.0 million. The plan covers approximately 173,000 active members, of which approximately 14 are employees of the Foundation. No obligation is accrued in the financial statements and future premiums will be adjusted to address any unfunded obligation.

## 8. Commitments:

(a) The Foundation launched a capital campaign in 2007 entitled, "Partners in Caring". The campaign was launched to meet the following commitments:

(i) Maternity ward:

The Foundation previously made a commitment of \$4.8 million to assist in the rebuilding of the Peace Arch Hospital's maternity ward. This project was completed in January 2011, all obligations were met and no further commitments remain outstanding.

(ii) Centre of Active Living (Integrated Centre for Health Improvement):

The Foundation has committed \$2.4 million for this project. This is in partnership with the White Rock/South Surrey Foundation. This project was completed in April 2011. The final contributions have been recognized in the fiscal 2012 financial statements and there are no further commitments outstanding.

(iii) Emergency department:

The Foundation is planning to assist in the funding of the costs required to expand and upgrade the Emergency department at the Peace Arch Hospital.

(b) The Foundation has issued a letter of guarantee to the City of Surrey for \$50,000 relating to the prior parking lot redevelopment.

# PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

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## **9. Financial instruments:**

The Foundation has investments in bonds, equities and mutual funds and, as such, is subject to risks arising from the credit worthiness and the liquidity of the underlying assets and general interest rate fluctuations.

## **10. Capital disclosures:**

The Foundation receives its principal source of capital through donations, special events, rental, gaming and investment income earned. The Foundation defines capital to be net assets which include amounts held in the endowment funds. In carrying out its mission, the Foundation regularly distributes its capital in support of programs, capital purchases and activities of the Peace Arch Hospital in accordance with the donors' designations and the Foundation's bylaws.

The Foundation is not subject to any other external capital requirements or restrictions.

## **11. Comparative figures:**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.