

Financial Statements of

**PEACE ARCH HOSPITAL AND
COMMUNITY HEALTH FOUNDATION**

For the year ended March 31, 2015



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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, 2015, 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 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 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 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 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, 2015 and its results of operations 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 the Society 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.

KPMG LLP

Chartered Accountants

May 29, 2015

Burnaby, Canada

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION
Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents (notes 3 and 4)	\$ 2,598,181	\$ 3,844,880
Marketable securities (notes 3 and 4)	22,396,404	18,945,101
Accounts receivable	111,810	82,451
Prepaid expenses	36,413	12,955
	<u>25,142,808</u>	<u>22,885,387</u>
Investments (notes 3 and 4)	10,687,415	9,319,174
Capital assets (note 5)	7,721,438	7,764,869
Cash surrender value of life insurance policies	79,704	75,747
	<u>\$ 43,631,365</u>	<u>\$ 40,045,177</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 98,374	\$ 160,234
Due to Fraser Health Authority:		
Operating expenses (note 9)	101,746	158,094
Peace Arch Hospital contributions (note 10)	285,619	353,257
Deferred revenue	118,383	146,618
	<u>604,122</u>	<u>818,203</u>
Net assets:		
Unrestricted	20,029,293	17,376,847
Invested in capital assets	7,721,438	7,764,869
Internally restricted	991,835	844,855
Externally restricted	13,255,001	12,274,759
Endowment	1,029,676	965,644
	<u>43,027,243</u>	<u>39,226,974</u>
Contingency (note 8)		
	<u>\$ 43,631,365</u>	<u>\$ 40,045,177</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, 2015, with comparative information for 2014

	Unrestricted	Invested in capital assets	Restricted Funds			Total 2015	Total 2014
			Internally restricted	Externally restricted	Total restricted		
Revenue:							
Donations	\$ 1,806,120	\$ -	\$ -	\$ 813,872	\$ 10,200	\$ 2,630,192	\$ 3,930,863
Special events	34,685	-	-	892,549	-	927,234	775,195
Other rental income	113,016	-	-	-	-	113,016	116,475
Ancillary parking	397,300	-	-	-	-	397,300	399,948
Investment income and gain on sale of investments	1,862,553	-	-	62,490	60,540	1,985,583	1,778,924
Fair value adjustment on investments	590,190	-	-	-	-	590,190	1,845,534
	4,803,864	-	-	1,768,911	70,740	6,643,515	8,846,939
Expenses:							
Fundraising	233,857	-	-	475,098	-	708,955	600,827
Ancillary	70,631	-	-	-	-	70,631	63,358
Salaries, wages and benefits	953,497	-	-	-	-	953,497	1,054,012
Office and administration	346,771	-	-	-	4,603	351,374	270,113
Amortization of capital assets	-	45,836	-	-	-	45,836	45,987
	1,604,756	45,836	-	475,098	4,603	2,130,293	2,034,297
Excess (deficiency) of revenue over expenses before the following:	3,199,108	(45,836)	-	1,293,813	66,137	4,513,222	6,812,642
Community grants	(2,000)	-	(65,472)	(2,100)	-	(69,572)	(147,407)
Contributions to Peace Arch Hospital	(269,974)	-	(59,831)	(311,471)	(2,105)	(643,381)	(938,818)
Contributions to (recovery from) City of White Rock	-	-	-	-	-	-	(12,127)
Excess (deficiency) of revenue over expenses	\$ 2,927,134	\$ (45,836)	\$ (125,303)	\$ 980,242	\$ 64,032	\$ 3,800,269	\$ 5,714,290

See accompanying notes to financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

	Restricted Funds					Total 2015	Total 2014
	Unrestricted	Invested in capital assets	Internally restricted	Externally restricted	Total restricted		
Net assets, beginning of year	\$ 17,376,847	\$ 7,764,869	\$ 844,855	\$ 12,274,759	\$ 13,119,614	\$ 39,226,974	\$ 33,512,684
Excess (deficiency) of revenue over expenses	2,927,134	(45,836)	(125,303)	980,242	854,939	3,800,269	5,714,290
Net change in invested in capital assets (note 6)	(2,405)	2,405	-	-	-	-	-
Fund transfers during the year	(272,283)	-	272,283	-	272,283	-	-
Net assets, end of year	\$ 20,029,293	\$ 7,721,438	\$ 991,835	\$ 13,255,001	\$ 14,246,836	\$ 43,027,243	\$ 39,226,974

See accompanying notes to financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 3,800,269	\$ 5,714,290
Items not involving cash:		
Amortization of capital assets	45,836	45,987
Fair value adjustment on investments	(590,190)	(1,845,534)
Gain on sale of investments	(643,399)	(687,800)
Increase in cash surrender value of life insurance	(3,957)	(4,167)
Receipt of securities as donations	(252,565)	(906,620)
Change in non-cash operating working capital:		
Accounts receivable	(29,359)	2,995,721
Accrued dividends and interest income	(40,041)	(78,489)
Prepaid expenses	(23,458)	(5,793)
Accounts payable and accrued liabilities	(61,860)	67,863
Due to Fraser Health Authority	(123,986)	121,174
Deferred revenue	(28,235)	70,144
	2,049,055	5,486,776
Investing:		
Proceeds from sale of marketable securities and long-term investments	11,178,015	12,426,498
Purchase of marketable securities and long-term investments	(14,471,364)	(16,467,760)
Purchase of capital assets	(2,405)	(23,604)
	(3,295,754)	(4,064,866)
Increase (decrease) in cash and cash equivalents	(1,246,699)	1,421,910
Cash and cash equivalents, beginning of year	3,844,880	2,422,970
Cash and cash equivalents, end of year	\$ 2,598,181	\$ 3,844,880

Cash and cash equivalents include \$96,655 held for restricted purposes.

See accompanying notes to financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements

Year ended March 31, 2015

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 accounting standards for not-for-profit organizations.

(b) Fund accounting:

In order to ensure observance of the limitations and restrictions placed on the use of resources available, the Foundation follows the restricted fund method of accounting for contributions. Under this method, restricted contributions are recorded as revenue of the restricted fund to which they relate. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors (the "Board"). For financial reporting purposes, the accounts have been classified into the following funds:

(i) Unrestricted fund:

The unrestricted fund reflects the results of operating activities and includes undesignated revenue and donations received by the Foundation.

(ii) 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 funder.

(iii) Internally restricted fund:

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

(iv) Capital assets fund:

The capital assets fund includes capital assets purchased by the Foundation and related amortization.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Significant accounting policies (continued):

(b) Fund accounting (continued):

(v) Endowment fund:

The endowment fund comprises donations that are permanently maintained in accordance with donor wishes plus any unrestricted amounts which are transferred to the endowment fund in accordance with the Foundation's policy or Board approval. The annual investment income earned from these endowments is used for specific purposes, in a manner consistent with the endowment agreement.

Investment income required to be recapitalized into the endowment fund is determined based on the difference between the actual investment income earned and distribution percentage, as approved by the Board annually.

(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) Marketable securities and long-term investments:

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) 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 - improvements	20
Office improvements	3
Office equipment	5
Computer hardware and software	3
Website development	3

Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Foundation's ability to provide services, it is reviewed for impairment and its carrying amount is written down to its residual value.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Significant accounting policies (continued):

(f) 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 elected to carry all investments 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.

(g) Cash surrender value of life insurance policies:

The Foundation is the owner and beneficiary of various life insurance policies. These policies are recorded at the cash surrender values. The premiums are allocated between insurance costs and income earned. 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 aggregate face value of these policies is \$713,093 (2014 - \$811,055) and will be payable and recognized as revenue when received.

(h) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue of the related restricted funds when received. Externally restricted contributions for future expenses for which a restricted fund does not exist are recorded as deferred revenue and recognized as revenue in the period the related expense is incurred or the restrictions are met.

Endowment contributions are recognized as revenue of the endowment funds when received.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Significant accounting policies (continued):

(h) Revenue recognition (continued):

Investment income is recognized when earned and recorded to the respective funds.

Event revenues received in advance for subsequent years' fundraising events are recorded as deferred revenue. These revenues are recognized as revenue in the period in which the event occurs.

(i) Contributed materials and services:

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

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.

(j) Employee future benefits:

The Foundation and its employees contribute to the Municipal Pension Plan. Defined contribution plan accounting is applied to the multi-employer defined benefit plan and, accordingly, contributions are expensed when paid or payable.

(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, 2015

3. Cash and cash equivalents and 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:

	2015	2014
Cash and cash equivalents	\$ 2,598,181	\$ 3,844,880
Fixed income securities	17,229,100	13,341,462
Common stock and other equity instruments	15,854,719	14,922,813
	<u>\$ 35,682,000</u>	<u>\$ 32,109,155</u>

The amounts are allocated to the statement of financial position as follows:

	2015	2014
Cash and cash equivalents	\$ 2,501,526	\$ 3,749,243
Restricted cash and cash equivalents	96,655	95,637
<u>Total cash and cash equivalents</u>	<u>2,598,181</u>	<u>3,844,880</u>
Marketable securities	17,903,962	14,274,654
Restricted marketable securities	4,492,442	4,670,447
<u>Total marketable securities</u>	<u>22,396,404</u>	<u>18,945,101</u>
Restricted long-term investments	10,687,415	9,319,174
	<u>\$ 35,682,000</u>	<u>\$ 32,109,155</u>

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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.

	2015	2014
Restricted funds available:		
Cash and cash equivalents	\$ 96,655	\$ 95,637
Marketable securities	4,492,442	4,670,447
Long-term investments	10,687,415	9,319,174
	\$ 15,276,512	\$ 14,085,258

	2015	2014
Restricted funds required:		
Internally restricted funds	\$ 991,835	\$ 844,855
Externally restricted funds	13,255,001	12,274,759
Endowment	1,029,676	965,644
	\$ 15,276,512	\$ 14,085,258

5. Capital assets:

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Parking lots:				
Land	\$ 7,271,455	\$ -	\$ 7,271,455	\$ 7,271,455
Improvements	550,543	116,811	433,732	461,259
Office improvements	117,094	114,452	2,642	3,407
Office equipment	53,053	53,053	-	4,425
Computer hardware and software	94,877	87,453	7,424	14,681
Website development	26,742	20,557	6,185	9,642
	\$ 8,113,764	\$ 392,326	\$ 7,721,438	\$ 7,764,869

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

6. Invested in capital assets:

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

	2015	2014
Excess of expenses over revenue:		
Amortization of capital assets	\$ (45,836)	\$ (45,987)
Net change in invested in capital assets:		
Purchase of capital assets	2,405	23,604
	<u>\$ (43,431)</u>	<u>\$ (22,383)</u>

7. Employee pension benefits:

The Foundation and its employees contribute to the Municipal pension Plan (the Plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 12 contributors from the Foundation.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

During fiscal 2015, the Foundation paid \$69,647 (2014 - \$67,177) for employer contributions to the plan.

8. Contingency:

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

9. Fraser Health Authority ("FHA"):

As at March 31, 2015, the Foundation owed FHA \$101,746 (2014 - \$158,094) related to the reimbursement of operating expenses paid by FHA on behalf of the Foundation.

FHA provides office space for the Foundation use on a no-charge basis. As the fair value of the use of this space is not readily determinable, no related amount has been recognized to the financial statements.

PEACE ARCH HOSPITAL AND COMMUNITY HEALTH FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

10. Peace Arch Hospital (the “Hospital”):

The amounts recognized as owing to the Hospital represent qualifying expenditures as incurred by the Hospital and funded by the Foundation.

The Foundation is planning to assist in the funding of the costs related to the Hospital site redevelopment plan. This will include the expansion and upgrade of the Emergency department and new complex care/hospice residence. The amount of the funding to be provided by the Foundation will be approved by the Board once final plans have been approved by the Ministry of Health and project costing is complete. In the restricted fund, the Foundation holds certain donations specified by the donors to be used toward these redevelopment projects.

11. Related party transactions:

During fiscal 2015, the Foundation incurred costs for legal and consulting fees totaling \$45,317 (2014 - \$57,856) with parties with which certain members of its Board of Directors are associated. These transactions are considered to be in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and are at or below fair value.

12. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by The Board.

The Foundation is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Foundation to a fair value risk while the floating rate instruments subject it to cash flow risk. The Foundation is exposed to this risk as a result of investments in short-term deposits, notes and investment certificates. The risk associated with investments is managed through the Foundation’s established investment policy.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation has investments in fixed income securities, common stock and other equity instruments which are subject to risks arising from changes in market conditions.

The Foundation believes that it is not exposed to significant foreign currency, credit or liquidity risk arising from its financial instruments.

13. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.