

NANAIMO & DISTRICT HOSPITAL FOUNDATION

FINANCE, INVESTMENT, & AUDIT COMMITTEE

November 8, 2018 @ 3.00pm – 4.30pm

Boardroom in the former NDHF office

1801 Bowen Road, Madsen Centre

AGENDA

1. **Call to Order – Chair Mike Smith**
2. **Approval of Agenda** (A)
3. **Approval of Minutes – September 11, 2018** (A)
4. **Review Monitoring Reports:** (A)
 - EE7 - **Financial Condition – 2nd Quarter Financial Reports**
 - EE9 - **Investment of Funds - verbal**
 - EE10 - **Endowing of Funds - verbal**
5. **Policy Review:** (A)
 - EE12 - **Compensation & Benefits**
 - EE13 - **Contracts & Agreements**
6. **Risk Management Review** (I)
7. **New Business** (D)
8. **Future Meeting Dates** (D)
9. **Adjournment**

Key: (A) – Action

(D) – Discussion

(I) – Information

NANAIMO & DISTRICT HOSPITAL FOUNDATION

Finance, Investments & Audit Committee

Minutes

Bowen Road Board Room

September 11, 2018: 3.00pm

Present: **G. Scott (Chair)** **S. Ryan (CFO)**
 M. Jenkins (Treasurer) **C. Light – Grant Thornton**
 P. Birrer **B. Maguire – Grant Thornton**
 M. Smith
 H. Popple

Call to Order:

Moira Jenkins called the meeting to order at 3.05 pm

Approval of Agenda:

The agenda was approved as presented.

MOTION: to accept the Agenda as presented

Moved by: M. Smith, Seconded by: P. Birrer

Presentation of the Audited Financial Statements:

Cara Light, Grant Thornton, presented the *Report to the Audit & Finance Committee - Communication of Audit Results*. The Audit is substantially complete; subsequent event testing will take place on September 17, 2018, and the Financial Statements will be presented at the AGM on September 18, 2018. The Audit was completed as outlined in the Audit Plan, as presented to the Committee on June 11, 2018. The Committee requested that the Management Representation Letter be signed by both the CEO and the CFO.

The Auditor then presented the Financial Statements for the 9 month period ending March 31, 2018. In keeping with previous years, the Auditor has issued a Qualified Opinion on the Statements. The Committee discussed the need for this qualification, and the Auditor explained the qualification is common for non-profits who receive substantially cash (including cheques) donations as the Auditor cannot verify the completeness of these donations and can only audit revenues recorded in the non-profit's records. The Foundation's donations are mostly comprised of cash and cheques.

The presentation was thorough, and the Committee had many questions, mostly concerning the Notes to the Financial Statements, specifically Note 10 – Long Term Debt, Note 13 – Commitments and Contingencies, Note 16 – Remuneration, and Note 17 – Subsequent Events. Changes of an editorial

nature were suggested by the Committee, and the Auditor undertook to make the changes prior to presentation of the Statements at the AGM.

The Committee thanked the Auditors for their work and both Cara Light and Brenda Maguire left the meeting.

MOTION: to accept the Financial Statements subject to the changes made, and recommend approval to the Board.

Moved by: M. Smith, Seconded by P. Birrer

Approval of June 11 and July 16, 2018 Meeting Minutes:

The Minutes were approved as presented.

MOTION: to approve the Minutes as presented

Moved by: G. Scott, Seconded by: P. Birrer

Review of 1st Quarter Financial Report:

The CFO presented the 1st quarter Financial Report for the Foundation, Code Brew, and Lifeline. The Foundation is tracking closely to budget with both Revenues and Expenses slightly under the budget. The Expense to Revenue ratio is at 33% as compared to the budget of 35%. The CFO noted the Foundation's cash balance is higher due to receipt of a large estate in the 1st quarter, and there are no outstanding invoices payable to Island Health. The Foundation is in a strong financial position.

Code Brew's revenues have exceeded budget by almost \$20,000 in the first quarter, with COGS only up by \$10,000. The result is a very healthy gross margin with net income almost \$22,000 higher than budget. The cash balance continues to grow in anticipation of planned renovations to the Kiosk to occur within the next six months. Code Brew donated \$55,000 to the Foundation at the end of the last fiscal year.

Lifeline is also tracking well to budget, although revenues were under budget by almost \$15,000 due to the timing of new clients and clients leaving. Expenses are down by just over \$23,000, however, due to lower salaries costs and timing of other expenses. Net income is up by approximately \$14,000 over budget. Lifeline donated \$40,000 to the Foundation at the end of the last fiscal year.

MOTION: To recommend approval of the 1st Quarter Financial Report to the Board

Moved by: P. Birrer, Seconded by: H. Popple

Review of EE7 and EE8 Monitoring Reports:

EE7 – Financial Condition was discussed. Review of the EE7 Policy was tabled for future discussion. There were no questions on the Monitoring Report as presented.

EE8 – Operating Reserve was discussed with questions from the Committee on the nature of the \$550,000 set aside by the Board currently referred to as an Operating Reserve in the Policy. These funds are Board Restricted Funds, and are internally restricted. Proposed changes to the EE8 Policy would clarify the nature of these funds, and their use. The proposed changes were tabled for future discussion.

**MOTION: To accept the EE7 and EE8 Monitoring Reports as presented, and to recommend approval to the Board
Moved by: H. Popple, Seconded by: P. Birrer**

Update on Sale of Strata Units

The CFO updated the Committee on the sale of Unit 102 – it completed on September 10, and the mortgage on both Units was paid out on that date. Lifeline is now fully moved into Unit 102, and Unit 202 is vacant. The Foundation is currently negotiating a lease of Unit 202 with a possible start date of October 1, 2018. The tenant is interested in purchasing the Unit in the future, and has asked for a right of first refusal clause to be included in the lease.

Other Business

The Committee requested that FIAC meeting packages be uploaded to the Board Pages section of the website.

Future Meeting Dates

Thursday, November 8, 3pm
Thursday, January 10, 3pm

Adjournment: The meeting adjourned at 5.55 pm

REVENUE 2018/2019								
Source	Budget	Q2 2018 Jul-Sep	18/19 YTD Totals	2018/2019 Budget	YTD % Budget	Jul-Sep 2017 Totals	2017/2018 Actual (9M)	
Individuals	\$550,000	\$177,990	\$298,865	\$1,100,000		\$44,714	\$525,492	
Corporate	\$110,000	\$45,710	\$71,315	\$220,000		\$67,366	\$108,517	
Grants & Foundations	\$60,000	\$61,487	\$73,940	\$120,000		\$41,203	\$130,534	
Service Clubs & Community Organizations	\$55,000	\$9,660	\$31,804	\$110,000		\$3,900	\$44,870	
Tributes	\$37,500	\$24,765	\$37,061	\$75,000		\$9,418	\$31,618	
Estates	\$450,000	\$410,918	\$844,686	\$900,000		\$427,862	\$1,583,825	
Third Party Gifts & Events	\$60,000	\$14,096	\$21,984	\$120,000		\$1,048	\$33,411	
Other Income (Includes rent revenue, ATM's, LL&CB Mngt Fees & Donations)	\$107,500	\$35,210	\$81,932	\$215,000		\$18,710	\$114,881	
Investment Income	\$70,000	\$11,344	\$50,461	\$140,000		\$32,613	\$71,629	
Total Revenue	\$1,500,000	\$791,180	\$1,512,048	\$3,000,000	50%	\$646,834	\$2,644,777	
Net Income from Lifeline		-\$8,272	\$13,307	\$4,000	333%	\$22,008	\$8,572	
Net Income from Code Brew		\$14,400	\$58,231	\$17,500	333%	\$22,099	\$45,955	
EXPENSES 2018-2019								
Administration Costs								
Bank & Investment Fees	\$16,500	\$1,724	\$8,681	\$33,000	26%	\$8,121	\$22,131	
Board Expenses	\$3,000	\$289	\$354	\$6,000	6%	\$0	\$2,920	
Education	\$2,500	\$262	\$4,922	\$5,000	98%	\$0	\$0	
Insurance	\$2,000	\$954	\$1,908	\$4,000	48%	\$854	\$2,651	
Mortgage Interest	\$0	\$941	\$941	\$0	0%	\$4,536	\$7,494	
Occupancy Costs	\$0	-\$972	-\$28	\$0	0%	\$7,893	\$13,825	
Office Expenses	\$700	\$25,096	\$27,501	\$1,400	1964%	\$4,152	\$2,931	
Professional Fees	\$10,100	\$5,053	\$5,158	\$20,200	26%	\$0	\$19,366	
Salaries & Benefits	\$354,600	\$195,095	\$369,997	\$709,200	52%	\$177,938	\$460,405	
Software, Website & Computer Lease Costs	\$25,100	\$13,467	\$25,238	\$50,200	50%	\$11,805	\$43,726	
Subscriptions & Dues	\$4,000	\$431	\$1,675	\$8,000	21%	\$1,011	\$3,352	
Telephone	\$2,500	\$2,326	\$3,432	\$5,000	69%	\$1,001	\$3,213	
Travel & Mileage (Volunteers & Staff)	\$2,500	\$3,117	\$3,356	\$5,000	67%	\$645	\$1,111	
Amortization	\$19,000	\$8,665	\$17,331	\$38,000	46%	\$8,772	\$26,238	
Total Administration Costs	\$442,500	\$256,450	\$470,466	\$885,000	53%	\$226,727	\$609,363	
Fundraising Costs								
Spring / Annual / Christmas	\$40,000	\$20,303	\$37,157	\$80,000	46%		\$41,119	
Events	\$15,000	\$0	\$2,402	\$30,000	8%		\$18,851	
Donor Relations & Planned Giving	\$30,000	\$2,759	\$5,894	\$60,000	10%		\$9,699	
Total Fundraising Costs	\$85,000	\$23,062	\$45,453	\$170,000	27%	\$29,948	\$69,669	
Total Costs		\$279,512	\$515,919	\$1,055,000	49%	\$256,675	\$679,032	
Net Income		\$511,668	\$996,129	\$1,945,000		\$390,159	\$1,965,745	
			34%	35%		40%	25%	
Grants - CASH BASIS								
		\$122,914	\$220,876	\$2,000,000	11%	\$53,226	\$1,312,073	

BALANCE SHEET HIGHLIGHTS								
					At JUN 30 2018	At SEP 30 2018	At MAR 28 2018	
Assets								
Bank Balances:				\$1,707,969	\$2,186,747	\$1,392,298		
Investments - Unrestricted				\$759,346	\$759,346	\$928,567		
Investments - Endowments				\$1,368,341	\$1,368,341	\$1,397,072		
Investment in Businesses				\$533,108	\$533,108	\$533,108		
Due from Code Brew				\$55,068	\$61,048	\$47,120		
Due from Lifeline				\$40,092	\$49,999	\$40,000		
Capital Assets				\$767,487	\$295,353	\$776,153		
Other Assets				\$136,138	\$152,887	\$109,109		
Total Assets				\$5,367,548	\$5,406,829	\$5,223,427		
Liabilities								
Due to Island Health								
Trade Payables				\$47,716	\$110,491	\$24,281	Grant expense reimbursement to LL; audit fees; VIHA; Golf for Life venue costs.	
Building Mortgage				\$501,091	\$0	\$514,050		
Unrestricted Fund Balance				\$2,202,287	\$2,629,352	\$2,338,869		
Restricted Fund Balance				\$1,245,178	\$1,292,709	\$949,155		
Endowment Fund Balance				\$1,371,276	\$1,374,276	\$1,397,072	Lytton increased by \$3,000 - contribution for bursary to be given out.	
Total Liabilities				\$5,367,548	\$5,406,829	\$5,223,427		
Outstanding Equipment Invoices - Island Health								
Amount Committed & Owing				\$639,492	\$539,676	\$269,027	17/18 Remaining Equipment + Office Reno + 18/19 new commitments	

SCHEDULE OF COMMITMENTS					
Item/Project	Fund/Project	Date Committed	Amount		
			Committed	Paid to Jun 2018	Not Yet Invoiced
Office Space at NRGH		2017	209,800.00	123,494.40	86,305.60
Wolf Flexible Cystoscopes	Xmas Campaigns	2017	42,566.24	-	42,566.24
2018-2019					
Bedside Patient Monitors (7)	Spring	2018	342,763.89	-	342,763.89
Bladder Scanner (Eagle Park)	Annual	2018	18,040.02	-	18,040.02
SIM doll / course / accessories	Annual	2018	50,000.00	-	50,000.00
			\$ 663,170.15	\$ 123,494.40	\$ 539,675.75

Code Brew-NRGH								
Statement of Income & Retained Earnings								
For the quarter ending September 30, 2018								
				Budget	October	October	Budget	
				2018-2019	2018	2017	Variance	Comments - Actual vs. Budget
Sales				\$ 346,250	\$ 378,583	\$ 331,010	\$ 32,333	
Cost of sales				155,000	166,882	151,024	\$ 11,882	
Gross margin				191,250	211,701	179,986	\$ 20,451	
Interest income				250	3,830	71	\$ 3,580	
				45%	44%	46%		COGS percentage of Revenue
				191,500	215,531	180,057	30,917	
Expenses								
	Bank charges			2,800	3,818	1,394	\$ 1,018	
	Insurance			1,000	1,463	1,309	\$ 463	
	Meetings and meals			200	-	15	\$ (200)	
	Office			2,650	2,008	1,891	\$ (642)	
	Professional fees			1,700	(124)	(2,827)	\$ (1,824)	Timing of audit expense
	Publicity and promotions			850	60	808	\$ (790)	
	Rent				-	-	\$ -	
	Utilities			1,850	129	515	\$ (1,721)	
	Repairs and maintenance			1,250	160	2,068	\$ (1,090)	
	Salaries and benefits			128,750	138,435	118,284	\$ 9,685	
	Telephone			600	225	525	\$ (375)	
	Training and education			250	90	125	\$ (160)	
	Travel			350	245	453	\$ (105)	
	Total Expense			142,250	146,511	124,559	4,261	
Net Income before Amortization and Management Fees				49,250	69,020	55,498	26,657	
	Donation to Foundation			-	-	-		
	Management Fees to NDHF			17,500	17,500	8,750	\$ -	
	Amortization			250	1,624	252	\$ 1,374	
Net Income (Loss)				\$ 31,500	\$ 49,896	\$ 46,496	\$ 25,283	

Code Brew-NRGH						
Balance Sheet						
At September 30, 2018						
					Actual	Actual
					Sep-18	March 2018
						Comments
Assets						
Current						
	Cash			\$	131,289	\$ 71,589
	Accounts receivable				2,638	5,780
	Inventory				10,376	22,773
	Prepaid expenses				4,708	3,057
	Total Current Assets				149,011	103,199
CAPITAL ASSETS						
					14,618	-
	Total Assets			\$	163,629	\$ 105,051
Liabilities						
Current						
	Accounts payable and accruals			\$	43,461	\$ 24,055
	Deferred revenue				12,618	12,618
	Payable to shareholders				61,088	55,000
	Total Liability				117,168	92,235
Shareholder's Equity						
	Share capital				1	1
	Retained earnings				46,460	12,815
				\$	163,629	\$ 105,051

Nanaimo Lifeline Program						
Statement of Income & Retained Earnings						
For the quarter ended September 30th, 2018						
		Budget 2018-2019	Apr-Sep 2018	Apr-Sep 2017	Budget Variance	Comments - Actual vs. Budget
Monitoring and Installation Revenue		460,500	\$ 434,725	\$ 461,607	\$ (25,775)	
Direct Expenses		58,500	\$ 51,275	\$ 57,606	\$ (7,225)	
Gross Margin		402,000	\$ 383,450	\$ 404,001	\$ (18,550)	
Interest and Other Income		875	1,926	813	\$ 1,051	
		402,875	385,376	404,814	13,479	
Expenses						
Bank charges		1,250	1,582	1,341	332	
Insurance		1,250	991	886	(259)	
Rent and occupancy costs		44,700	49,453	34,281	4,753	Interest rate increase on variable rate mortgage.
Office		7,600	12,045	8,502	4,445	
Professional fees		1,750	620	3,623	(1,130)	
Publicity and promotions		6,000	4,714	15,939	(1,286)	
Repairs and maintenance		50	1,447	1,376	1,397	
Salaries and benefits		248,900	226,228	245,048	(22,672)	
Telephone and fax		3,750	4,290	4,234	540	
Training and education		2,500	-	398	(2,500)	
Travel		5,500	3,543	6,161	(1,957)	
		323,250	304,912	321,788	(18,338)	
Net Income before Amortization and Management Fees		79,625	80,464	83,026	839	
Donation to NDHF		0	-			
Management Fees to NDHF		17,500	17,500	17,761	0	
Amortization		53,000	49,657	53,555	(3,343)	
Net Income		48,874	\$ 13,307	\$ 11,710	\$ (35,567)	
Net Income before Amortization/Total Revenue		19.76%	20.88%	20.51%		
Net Income/Total Revenue		12.13%	3.45%	2.89%		

Policy Type: Executive Expectations Policy Name: Compensation and Benefits	Policy Number: EE 12 Date of Acceptance of Policy: October 3, 2009
Date to Review Policy: November <u>Annually at Board Orientation</u>	Date Policy Reviewed: March 28, 2017 Date Policy Revised: March 28, 2017
Monitoring Type and Frequency: Internal/Annual	Monitoring Dates: June<u>January</u>

With respect to employment, compensation, and benefits to employees, consultants and volunteers, the CEO shall protect the Foundation's public image, and to ensure fiscal integrity.

Further, the CEO:

The President/CEO S shall only change his or hertheir compensation and benefits with Board approval: and,

Shall establish current compensation and benefits for Staff which do not deviate materially from the geographic or professional market for the skills employed, and do not create obligations over a longer term than revenues can be safely projected.

Policy Type: Executive Expectations Policy Name: Contracts and Agreements	Policy Number: EE 13 Date of Acceptance of Policy: October 3, 2009
Date to Review Policy: <u>November</u>	Date Policy Reviewed: March 28, 2017 Date Policy Revised: March 28, 2017
Monitoring Type and Frequency: Internal /Annual	Monitoring Dates: November<u>July</u>

In order for the essential work of the Foundation to be done, the ~~President~~CEO may transact with others through contracts and agreements.

Accordingly, the ~~President~~CEO may not shall:

1. ~~Ensure the Jeopardize or compromise~~ Board Ends policies are neither jeopardized nor compromised.
2. ~~Ensure there is no deviation~~ Deviate from contract agreements.
3. ~~Ensure no Enter into~~ contracts or agreements are entered into by the Foundation without adherence to operational checklists and policies including those designating signing authority.

**Nanaimo & District Hospital Foundation
Risk Management Assessment - November, 2018**

#	Risk Sector	Risk	Description	Impact			Probability			Mitigation	Assigned To	Current Project
				Low	Med	High	Low	Med	High			
1	Financial/Strategic Risk	ICU Campaign does not proceed, or is delayed	No major Fundraising Campaign Ability to raise funds diminishes			X			X	Continue to lobby, support, and keep informed of progress on ICU approval. Update: Cardiology Project approved to proceed at \$1.8 million. ICU Project approval expected before end of year.	CEO/Board	Development of Campaign Fundraising Plan is underway, beginning with the Christmas Campaign
2	Operational Risk	Retirement/Resignation of Staff/Board	Key Staff Positions leave Unexpectedly Board turnover is too great			X			X	A detailed Succession Plan is in place and recently reviewed. Ensure Board terms are reviewed and staggered especially if resignations occur	CEO/CFO/Board	Succession Planning in Code Brew and Lifeline is underway.
3	Reputational/Financial Risk	Negative Press for Island Health	Limits Foundation's ability to Fundraise. Corporate Culture Document Union Negotiations Change of Service Supplier C-Difficile or Norwalk Outbreak		X				X	Ensure Foundation is in regular touch with IH Communications Staff; develop key messages and methodologies for potential issues	CEO	Regular monitoring of all Media. Regular meetings between NDHF and IH
4	Financial/Strategic Risk	Philips Lifeline Technology or Model	Potential for Philips to change Business Model Technology improvements are delayed			X			X	Ensure regular attendance at Philips information briefings; keep inventory up to date as much as possible	CEO/CFO	Lifeline Executive Director in regular communication with Philips Lifeline. Staff Training is current.

5	Financial/Operational Risk	Code Brew Rebuild does not Proceed	Kiosk Rebuild is either Delayed or Cancelled		X		X		Continue to work with IH leadership to ensure project is on schedule	CEO	Design of new Kiosk Underway. Construction expected to proceed before the end of the year.
6	Strategic Risk	Relationship with NRGH Auxiliary	Auxiliary continues to distance itself from the Foundation. Risk if this continues and NRGH allows fundraising for the same projects		X			X	Continue to monitor Auxiliary activities. Regular discussions with IH leadership to ensure they understand the difficulties.	CEO	
7	Strategic Risk	External Fundraising Projects	Other Community Organizations have major campaigns: VIU, Eden Gardens, Children's Health Foundation, BC Children's, United Way		X			X	Develop strong case for support documents for each Foundation funding initiative and continue to work on key strategic relationships within the community	All Staff & Board	
8	Strategic Risk	Change in Island Health Senior Leadership	Possible changes in Strategic Direction or Funding Model impacting Foundations			X	X		Continue to strengthen relationship with IH Leadership within NRGH and Executive	CEO/Board	
9	Hazard Risk	Major External Disaster	Evacuation from the office due to catastrophic event (Earthquake, Fire etc. or Quarantine of Staff due to contagious disease. Limited or no access to office, files, and systems			X	X		Business Continuity Plans are in place and monitored to ensure potential adverse effects on the workplace are minimized. Working from home is possible - all systems are accessible remotely. Systems are backup remotely by IH and Blackbaud	All Staff	Foundation has substantial insurance including D&O Liability Insurance

10	Reputational/Financial Risk	Fraud & Error	Risk of material misstatement on Financial Statements as a result of fraud and/or error			X	X		Comprehensive guiding principles and policies are in place and regularly reviewed. Strong internal controls are also in place which ensure segregation of duties wherever possible	CFO	Annual Audit. D&O Liability Insurance
11	Reputational/Operational Risk	Loss of Records/Privacy Breach	Privacy Breach of Donor Records, or Breach of Confidentiality (Board or Staff)			X	X		Confidentiality agreements are in place for all staff and Board members. Most donor records are electronic with significant security protocols in place	All Staff & Board	D&O Liability Insurance

*Foundation Insurance Policy renewed in April, 2018

*All CRA and Government Reports & Remittances are up to date

