



**Grant Thornton**

**NANAIMO & DISTRICT HOSPITAL FOUNDATION**

**Non-Consolidated Financial Statements**

**Nine Month Period Ended March 31, 2018**

**NANAIMO & DISTRICT HOSPITAL FOUNDATION**  
**Index to Non-Consolidated Financial Statements**  
**Nine Month Period Ended March 31, 2018**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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Management has the responsibility for preparing the accompanying financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained to provide reliable information for the preparation of financial statements.

With the exception of the Chief Executive Officer, the Board of Directors is composed entirely of directors who are neither management nor employees of the Foundation. The Chief Executive Officer is an employee of the Foundation, reporting to the Board of Directors, and is an ex-officio member of the Board of Directors.

Grant Thornton LLP, an independent firm of Chartered Professional Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both management and the Board of Directors to discuss their audit findings.



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Chief Executive Officer

Nanaimo, BC



## INDEPENDENT AUDITOR'S REPORT

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To the Members of Nanaimo & District Hospital Foundation

We have audited the accompanying non-consolidated financial statements of Nanaimo & District Hospital Foundation, which comprise the non-consolidated statement of financial position as at March 31, 2018 and the non-consolidated statements of operations and changes in net assets and cash flows for the nine month period then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated 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 non-consolidated 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 non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

*(continues)*

Independent Auditor's Report to the Members of Nanaimo & District Hospital Foundation *(continued)*

determine whether any adjustments might be necessary to contribution revenue, excess of revenues over expenses, and cash flows from operations for the periods ended March 31, 2018 and June 30, 2017, current assets as at March 31, 2018 and June 30, 2018 and fund balances as at July 1, 2017, March 31, 2018 and June 30, 2018. The audit opinion on the financial statements for the year ended June 30, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the non-consolidated financial statements present fairly, in all material respects, the financial position of Nanaimo & District Hospital Foundation as at March 31, 2018 and the results of its operations and its cash flows for the period 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 by the Foundation 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.

*Grant Thornton LLP*

Nanaimo, BC  
September 18, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

# NANAIMO & DISTRICT HOSPITAL FOUNDATION

## Non-Consolidated Statement of Financial Position

March 31, 2018

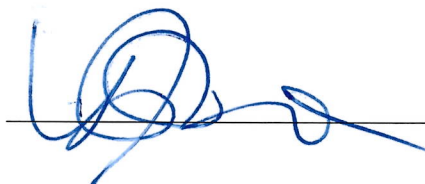
	2018	2017
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Notes 2, 5)	\$ 1,392,298	\$ 342,975
Investments (Notes 2, 5)	928,567	1,433,907
Accounts receivable	81,481	109,184
Accrued interest receivable	1,993	303
Prepaid expenses	25,635	33,141
Due from subsidiary companies (Note 8)	87,120	61,750
	<u>2,517,094</u>	<u>1,981,260</u>
CAPITAL ASSETS (Notes 2, 6, 17)	776,153	790,526
INVESTMENTS (Notes 2, 5)	1,397,072	1,360,428
INVESTMENT IN SUBSIDIARIES (Notes 2, 7)	533,108	505,435
	<u>\$ 5,223,427</u>	<u>\$ 4,637,649</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 23,539	\$ 34,586
Grants payable	-	862,857
Deferred income (Note 9)	742	3,372
Current portion of long term debt (Note 10)	514,050	547,000
	<u>538,331</u>	<u>1,447,815</u>
<b>NET ASSETS</b>		
Unrestricted Fund	1,788,869	472,113
Internally Restricted Fund (Note 5)	550,000	550,000
	<u>2,338,869</u>	<u>1,022,113</u>
Externally Restricted Fund (Note 2)	933,914	796,411
Gaming Fund (Note 2)	15,241	10,882
Endowment Fund (Note 2)	1,397,072	1,360,428
	<u>4,685,096</u>	<u>3,189,834</u>
	<u>\$ 5,223,427</u>	<u>\$ 4,637,649</u>

COMMITMENTS AND CONTINGENCIES (Note 13)

ON BEHALF OF THE BOARD



Director



Director

See notes to non-consolidated financial statements

**NANAIMO & DISTRICT HOSPITAL FOUNDATION**  
**Non-Consolidated Statement of Operations and Changes in Net Assets**  
**For the Nine Month Period Ended March 31, 2018**

	General Fund	Externally Restricted Fund	Gaming Fund	Endowment Fund	2018 (9 months)	2017 (12 months)
<b>REVENUE</b>						
Donations (Notes 2, 12)	\$ 1,832,106	\$ 736,446	\$ 8,059	\$ 3,000	\$ 2,579,611	\$ 2,754,000
Investment income (loss) (Notes 2, 5)	39,655	3,536	118	16,652	59,961	156,504
Grant revenue (Note 2)	52,977	-	-	-	52,977	82,842
Miscellaneous income (Note 8)	99,052	1,225	-	-	100,277	75,432
	2,023,790	741,207	8,177	19,652	2,792,826	3,068,778
<b>FUNDRAISING AND ADMINISTRATIVE EXPENSES</b>						
Amortization	26,331	-	-	-	26,331	37,783
Bank and investment fees	20,752	4	58	2,249	23,063	32,450
Education	1,580	-	-	-	1,580	3,600
Insurance	2,561	17,825	-	-	20,386	21,505
Interest on long term debt	13,326	-	-	-	13,326	18,872
Meetings	673	971	-	-	1,644	1,639
Occupancy costs	22,302	-	-	-	22,302	33,398
Office and computer	45,991	2,059	-	-	48,050	66,442
Postage	466	15,067	17	-	15,550	23,775
Printing	3,979	6,725	-	-	10,704	33,284
Professional fees	21,267	-	-	-	21,267	20,553
Publicity and promotion	8,760	44,756	-	-	53,516	58,349
Salaries, benefits & recruitment	499,486	-	-	-	499,486	835,782
Telephone	2,634	-	-	-	2,634	5,194
Travel	2,124	390	-	-	2,514	3,947
	672,232	87,797	75	2,249	762,353	1,196,573
<b>EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	1,351,558	653,410	8,102	17,403	2,030,473	1,872,205

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**NANAIMO & DISTRICT HOSPITAL FOUNDATION**  
**Non-Consolidated Statement of Operations and Changes in Net Assets (continued)**  
**For the Nine Month Period Ended March 31, 2018**

	General Fund	Externally Restricted Fund	Gaming Fund	Endowment Fund	2018 (9 months)	2017 (12 months)
<b>OTHER INCOME (EXPENSES)</b>						
Grants to Programs (Notes 8, 12, 13)	(177,784)	(375,357)	(3,743)	(6,000)	(562,884)	(1,930,585)
Cost recovery (Notes 2, 11)	140,550	(140,550)	-	-	-	-
Gain (Loss) of subsidiary corporations (Notes 7, 8)	27,673	-	-	-	27,673	(70,751)
	(9,561)	(515,907)	(3,743)	(6,000)	(535,211)	(2,001,336)
<b>NET EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE PERIOD</b>	1,341,997	137,503	4,359	11,403	1,495,262	(129,131)
<b>NET ASSETS - BEGINNING OF PERIOD</b>	1,022,113	796,411	10,882	1,360,428	3,189,834	3,318,965
Transfer from general to endowment fund	(25,241)	-	-	25,241	-	-
<b>NET ASSETS - END OF PERIOD</b>	\$ 2,338,869	\$ 933,914	\$ 15,241	\$ 1,397,072	\$ 4,685,096	\$ 3,189,834



**NANAIMO & DISTRICT HOSPITAL FOUNDATION**

**Non-Consolidated Statement of Cash Flows**

**Nine Month Period Ended March 31, 2018**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Sources		
Donation and grant receipts	\$ 2,628,284	\$ 2,770,156
Interest received	8,564	4,699
Miscellaneous receipts	100,277	75,432
	<u>2,737,125</u>	<u>2,850,287</u>
Uses		
Payment for operating expenditures	(734,557)	(1,174,257)
Interest paid	(13,326)	(18,872)
Grants to programs	(1,393,365)	(2,121,539)
	<u>(2,141,248)</u>	<u>(3,314,668)</u>
Cash flow from (used) in operating activities	<u>595,877</u>	<u>(464,381)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(11,957)	(1,122)
Proceeds from sale of temporary investments	516,641	13,630
Advances to (from) subsidiary companies	(25,370)	228,843
	<u>479,314</u>	<u>241,351</u>
Cash flow from investing activities	<u>479,314</u>	<u>241,351</u>
<b>FINANCING ACTIVITY</b>		
Repayment of long term debt	(32,950)	(42,011)
	<u>(32,950)</u>	<u>(42,011)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,042,241</b>	<b>(265,041)</b>
<b>CASH AND CASH EQUIVALENTS - COST, BEGINNING OF YEAR</b>	<b>394,182</b>	<b>659,223</b>
	<u>394,182</u>	<u>659,223</u>
<b>CASH AND CASH EQUIVALENTS - COST, END OF YEAR</b>	<b>\$ 1,436,423</b>	<b>\$ 394,182</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 1,392,298	\$ 342,975
Investments - at cost (Note 5)	44,125	51,207
	<u>\$ 1,436,423</u>	<u>\$ 394,182</u>

See notes to non-consolidated financial statements

# NANAIMO & DISTRICT HOSPITAL FOUNDATION

## Notes to Non-Consolidated Financial Statements

Nine Month Period Ended March 31, 2018

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### 1. PURPOSE OF THE FOUNDATION

Nanaimo & District Hospital Foundation (the "Foundation") is a not-for-profit organization incorporated provincially under the Society Act of British Columbia. As a registered charity the Foundation is exempt from the payment of income tax under Section 149(1) of the Income Tax Act and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met. The Foundation's mission is to provide funding for Nanaimo Regional General Hospital and other healthcare facilities within the Vancouver Island Health Authority in Central Vancouver Island to benefit the community. The Foundation provides grants for equipment, health related educational scholarships, major renovations and approved research. The Foundation owns two subsidiary companies: 629814 B.C. Ltd. operating as the Nanaimo Lifeline Program, a personal response service, and 606895 B.C. Ltd., operating as Code Brew, which operates a coffee kiosk located at Nanaimo Regional General Hospital.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO). As a result these financial statements are in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Outlined below are those policies considered particularly significant for the Foundation.

#### Fund accounting

The Nanaimo & District Hospital Foundation follows the restricted fund method of accounting for contributions. In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. 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. Transfers between the funds are made when it is considered appropriate and authorized by the Board of Directors. For financial reporting purposes, the accounts have been classified into the following funds:

#### **General Fund**

The General Fund accounts for the Foundation's general fundraising, granting, and administrative activities, and reports unrestricted resources and internally restricted funds. The Board has internally restricted funds in the amount of \$550,000 (2017 - \$550,000) not designated for any specific purpose. The General Fund also reports the assets, liabilities, revenues and expenses related to the Foundation's capital assets.

#### **Gaming Fund**

The Gaming Fund reports the revenues and costs associated with gaming funds donated from other charitable organizations. Net proceeds are donated to Nanaimo Regional General Hospital for the purpose of equipment for the hospital.

#### **Externally Restricted Endowment Fund**

The Endowment Fund reports resources contributed for endowment.

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**NANAIMO & DISTRICT HOSPITAL FOUNDATION**  
**Notes to Non-Consolidated Financial Statements**  
**Nine Month Period Ended March 31, 2018**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***

**Externally Restricted Fund**

The Externally Restricted Fund includes

Specified Equipment Funds - reports only restricted resources that must be used for the purpose of purchasing equipment for the Nanaimo Regional General Hospital.

Education Funds - reports only restricted resources that must be used for education purposes at Nanaimo Regional General Hospital.

Designated Contributions Funds - reports only restricted resources that must be used for specific areas within the Nanaimo Regional General Hospital. A charge is administered against certain designated contributions received during the year to recover overhead costs.

Revenue recognition

Unrestricted and restricted contributions are recognized as revenue of the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue of the Endowment Fund. Investment income earned on Endowment Fund resources is recognized as revenue of the General Fund unless otherwise directed by the donor.

Donations and bequests are recorded in the year of receipt.

Contributed materials and services are recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the organization's operations and would otherwise have been purchased.

Revenue from government contracts is recognized over the term of the agreement.

Investment income is recognized as revenue when earned.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents includes cash on hand, balances with banks, and highly liquid investments with an original maturity date at purchase of three months or less. Bank borrowings are considered to be financing activities.

Investments

Investments in subsidiary companies are accounted for by the equity method. Accordingly, the investments are recorded at acquisition cost and are increased for the post acquisition earnings and decreased by post acquisition losses and dividends received.

Investments for which there are quoted prices in an actual market are carried at fair market value. Unrealized gains or losses are reported as part of investment income.

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# NANAIMO & DISTRICT HOSPITAL FOUNDATION

## Notes to Non-Consolidated Financial Statements

Nine Month Period Ended March 31, 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Capital assets

Capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of receipt. Amortization expense is reported in the General Fund. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Buildings	4%	declining balance method
Building fixtures	5 years	straight-line method
Office & computer equipment	3-5 years	straight-line method
Furniture	10 years	straight-line method

#### Financial instruments policy

The Foundation's financial instruments consist of cash, investments, accounts receivable, accrued interest receivable, accounts payable and accrued liabilities, and long term debt. Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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

Significant areas requiring the use of management estimates include accounts receivable, amortization, accrued liabilities and the allocation of investment income.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets, as outlined above. Accrued liabilities are based on management estimates. Endowment investments are pooled with internally restricted investments. The investment earnings are calculated and allocated based on the respective holdings. These estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

### 3. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Foundation's risk exposure and concentration as of March 31, 2018.

#### *(a) Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its receipt of funds, long-term debt, and accounts payable.

*(continues)*

# NANAIMO & DISTRICT HOSPITAL FOUNDATION

## Notes to Non-Consolidated Financial Statements

Nine Month Period Ended March 31, 2018

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### 3. FINANCIAL INSTRUMENTS *(continued)*

#### *(b) Market risk*

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. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Foundation is mainly exposed to interest rate risk and other price risk.

#### *(c) 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. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through its normal operating and financing activities. The Foundation is exposed to interest rate risk primarily through its investments and long-term debt.

#### *(d) 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 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 Foundation is exposed to other price risk through its investment in quoted shares.

The Foundation monitors investments for fluctuations in price and rebalances the investments as needed in accordance with the Foundation's investment policy.

### 4. CAPITAL MANAGEMENT

The Foundation's objectives when managing capital are:

- (i) to safeguard the Foundation's ability to continue as a going concern;
- (ii) to ensure enough funds are available to meet all the Foundation's funding commitments for facilities and equipment; and
- (iii) to have sufficient resources available for operations.

The above objectives are considered in the preparation of the Foundation's annual budget, and in monitoring of cash flows and actual operation results compared to budget. A portion of the Foundation's capital is restricted in that the Foundation is required to meet certain requirements in order to utilize its externally restricted funds. The Foundation employs internal processes to ensure the restrictions are met prior to the utilization of these resources, and expends capital in accordance with Canada Revenue Agency guidelines for charities.

Contributions received for designated purposes must be used for the purpose designated by the donor. The Foundation has complied with the external restrictions on contributions provided.

# NANAIMO & DISTRICT HOSPITAL FOUNDATION

## Notes to Non-Consolidated Financial Statements

Nine Month Period Ended March 31, 2018

### 5. CASH AND INVESTMENTS

The cash balance includes \$14,467 (2017 - \$7,889) in funds derived from gaming activities. The use of these funds is restricted by an agreement with the Government of British Columbia Gaming Commission.

The General Fund portfolio investments include \$550,000 (2017 - \$550,000) of funds set aside by the Board in previous years on the understanding that these funds could only be spent with Board approval. The Board has determined that this amount is internally restricted and is not designated for any specific purpose.

				March 31	June 30
	General Fund	Gaming Fund / Externally Restricted Fund	Endowment Fund	2018	2017
<b>Investment Portfolio:</b>					
Cash balance	\$ 44,125	\$ -	\$ 66,388	\$ 110,513	\$ 99,789
Portfolio	884,443	-	1,330,684	2,215,127	2,694,546
	<u>\$ 928,568</u>	<u>\$ -</u>	<u>\$ 1,397,072</u>	<u>\$ 2,325,640</u>	<u>\$ 2,794,335</u>
<b>Investment Income:</b>					
Investment income	\$ 62,282	\$ 771	\$ 7,276	\$ 70,329	\$ 97,440
Realized gain	100,041	(34)	13,666	113,673	14,740
Realized investment income	162,323	737	20,942	184,002	112,180
Unrealized gain	192,894	2,917	29,795	225,606	349,647
Less: opening unrealized gain	(315,562)	-	(34,085)	(349,647)	(305,323)
Unrealized investment income	(122,668)	2,917	(4,290)	(124,041)	44,324
	<u>\$ 39,655</u>	<u>\$ 3,654</u>	<u>\$ 16,652</u>	<u>\$ 59,961</u>	<u>\$ 156,504</u>

Investment income includes interest, dividends, and realized and unrealized gains (losses) related to measuring the investments at market value at March 31, 2018. Investment management fees of \$18,042 (2017 - \$25,434) have been included in bank and investment fees on the non-consolidated statement of operations and changes in net assets.

### 6. CAPITAL ASSETS

	Cost	Accumulated amortization	March 31 2018 Net book value	June 30 2017 Net book value
Buildings	\$ 1,154,121	\$ 394,337	\$ 759,784	\$ 783,283
Building fixtures	15,180	11,340	3,840	222
Furniture	19,579	9,195	10,384	2,893
Office & computer equipment	11,915	9,770	2,145	4,128
	<u>\$ 1,200,795</u>	<u>\$ 424,642</u>	<u>\$ 776,153</u>	<u>\$ 790,526</u>

**NANAIMO & DISTRICT HOSPITAL FOUNDATION**  
**Notes to Non-Consolidated Financial Statements**  
**Nine Month Period Ended March 31, 2018**

**7. INVESTMENT IN SUBSIDIARY COMPANIES**

	<i>March 31</i> <b>2018</b>	<i>June 30</i> <b>2017</b>
<b>100% of shares of 629814 B.C. Ltd. (Nanaimo Lifeline)</b>		
Opening Balance	\$ 516,334	\$ 831,032
Net income (loss)	<u>18,328</u>	<u>(314,698)</u>
Closing Balance	<u>534,662</u>	<u>516,334</u>
<b>100% of shares of 606895 B.C. Ltd. (Code Brew)</b>		
Opening Balance	(10,899)	(254,846)
Net income (loss)	<u>9,345</u>	<u>243,947</u>
Closing Balance	<u>(1,554)</u>	<u>(10,899)</u>
Total Equity Investment in Subsidiaries	<u>\$ 533,108</u>	<u>\$ 505,435</u>

**8. DUE FROM SUBSIDIARY COMPANIES AND RELATED TRANSACTIONS**

The following is a summary of the Foundation's related party transactions:

	<i>March 31</i> <b>2018</b>	<i>June 30</i> <b>2017</b>
<u>Related party transactions</u>		
<u>606895 B.C. Ltd. operating as Code Brew</u>		
The Foundation received a management fee from Code Brew	\$ 26,250	\$ -
The Foundation purchased goods and services from Code Brew	337	1,624
Donation included in Donation Revenue	<u>55,000</u>	<u>-</u>
<u>629814 B.C. Ltd. operating as the Nanaimo Lifeline Program</u>		
A management fee to the Nanaimo Lifeline Program to recover administrative time spent by Foundation staff	\$ 26,250	\$ 34,910
Rent, strata fees, and property taxes were charged to the Nanaimo Lifeline Program for office space used by the company	45,674	35,580
Donations paid included in Grants to Program	740	1,950
Fees to the Nanaimo Lifeline Program to deliver the Check In Service program (as described in note 9), included in grants to programs	52,977	82,842
Donation included in Donation Revenue	<u>40,000</u>	<u>33,905</u>

Management fees and rental income totaling \$83,995 (2017 - \$70,490) are included in Miscellaneous income.

All of the above transactions with the exception of donations to and from Nanaimo Lifeline Program and Code Brew are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(continues)

# NANAIMO & DISTRICT HOSPITAL FOUNDATION

## Notes to Non-Consolidated Financial Statements

Nine Month Period Ended March 31, 2018

### 8. DUE FROM SUBSIDIARY COMPANIES AND RELATED TRANSACTIONS *(continued)*

	<i>March 31</i>	<i>June 30</i>
	<b>2018</b>	<b>2017</b>

Donations to and from Nanaimo Lifeline Program and Code Brew are not in the normal course of operations and are measured at the carrying amount.

Due from subsidiary companies:

606895 B.C. Ltd. (Code Brew)	\$ 61,024	\$ 36,912
629814 B.C. Ltd. (Nanaimo Lifeline Program)	26,096	24,838
	<b>\$ 87,120</b>	<b>\$ 61,750</b>

Unless otherwise noted, the balances due from subsidiary companies are non-interest bearing and have no set terms of repayment.

The Foundation owns 100% of the issued shares of 629814 B.C. Ltd. operating as the Nanaimo Lifeline Program, a personal response service, and 606895 B.C. Ltd. operating as Code Brew, a coffee kiosk.

In summary form, 629814 B.C. Ltd. and 606895 B.C. Ltd. reported the following unaudited financial information for the year ended March 31, 2018 as follows:

	629814 B.C. Ltd. (Nanaimo Lifeline Program)		606895 B.C. Ltd. (Code Brew)	
	2018	2017	2018	2017
Current assets	\$ 137,829	\$ 90,388	\$ 103,261	\$ 74,124
Non-current assets	463,954	489,333	1,852	2,110
	<b>\$ 601,783</b>	<b>\$ 579,721</b>	<b>\$ 105,113</b>	<b>\$ 76,234</b>
Current liabilities	\$ 67,121	\$ 63,386	\$ 106,667	\$ 87,133
Shareholder's Equity	534,662	516,335	(1,554)	(10,899)
	<b>\$ 601,783</b>	<b>\$ 579,721</b>	<b>\$ 105,113</b>	<b>\$ 76,234</b>
Revenues	\$ 748,115	\$ 986,255	\$ 526,119	\$ 655,996
Expenses	(695,107)	(943,535)	(460,395)	(728,631)
Other income (expenses)	(34,680)	(357,418)	(56,379)	316,582
	<b>\$ 18,328</b>	<b>\$ (314,698)</b>	<b>\$ 9,345</b>	<b>\$ 243,947</b>
Cash from (used in) operating activities	\$ 98,306	\$ 147,014	\$ 64,528	\$ 44,882
Cash from (used in) financing activities	(4,837)	(14,859)	(30,870)	(47,889)
Cash from (used in) investing activities	(50,741)	(313,732)	-	-
Total increase (decrease) in cash flow	<b>\$ 42,728</b>	<b>\$ (181,577)</b>	<b>\$ 33,658</b>	<b>\$ (3,007)</b>



# NANAIMO & DISTRICT HOSPITAL FOUNDATION

## Notes to Non-Consolidated Financial Statements

Nine Month Period Ended March 31, 2018

### 9. DEFERRED INCOME

The Foundation has an agreement with the Ministry of Employment and Social Development to provide services with the goal of reducing the rate of socially isolated vulnerable seniors ("Check in Service Program"). Deferred income represents grant revenue in the current year related to work being performed in the subsequent year.

	<i>March 31</i> <b>2018</b>	<i>June 30</i> <b>2017</b>
Balance, beginning of year	\$ 3,372	\$ 17,017
Received during the year	50,347	50,402
Revenue recognized during the year	(52,977)	(64,047)
Balance, end of year	<u>\$ 742</u>	<u>\$ 3,372</u>

### 10. LONG TERM DEBT

The Foundation has a mortgage loan for office space. In February, 2018, the Foundation renewed the mortgage for a five year term, maturing February 26, 2023. The interest rate is a floating rate of Prime Rate per annum with a monthly principal payment of \$4,320 plus interest. The mortgage is secured by a General Security Agreement representing a first charge on all the Foundation's assets and undertakings, a continuing collateral mortgage representing a first charge on the real property secured by the mortgage, a general assignment of rents and leases representing a first charge, assignment of fire insurance in the amount of \$850,000, general liability insurance of \$1,000,000, and an environmental indemnity agreement. Subsequent to year end the amount was repaid as described in Note 17.

Amounts payable within one year

	<i>March 31</i> <b>2018</b>	<i>June 30</i> <b>2017</b>
	\$ 514,050	\$ 547,000
	<u>(514,050)</u>	<u>(547,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

### 11. INTERFUND CHARGES

An administration charge of \$140,550 (2017 - \$387,028), representing up to 18% of designated donations to certain restricted funds, has been reported as a cost recovery.

### 12. DONATIONS AND GIFTS-IN-KIND

Donations recognized in the general fund include gifts-in-kind received in fiscal 2018 having a fair value of \$26,375 (2017 - \$27,540). A corresponding amount has been included in grants to programs. Also included in donations revenue is stock gifted of \$69,129 (2017 - \$529,408).

# NANAIMO & DISTRICT HOSPITAL FOUNDATION

## Notes to Non-Consolidated Financial Statements

Nine Month Period Ended March 31, 2018

### 13. COMMITMENTS AND CONTINGENCIES

At March 31, 2018, the Foundation has committed to the following future projects and equipment:

Donor Wall at NRGH	\$ 94,070
Patient Stretchers	58,446
Ultrasound Machine Upgrade	47,454
Wolf Flexible Cytoscopes	42,566
Cardiac Bedside Monitor	20,731
Miscellaneous Equipment	5,760
<b>TOTAL</b>	<b>\$ 269,027</b>

No provision for these commitments has been reported in the non-consolidated financial statements; the donation expense will be reported in the year the equipment is purchased by Island Health and other parties.

The Foundation has a letter of credit with the TD bank authorized to \$750,000.

### 14. INTERFUND BALANCES

The externally restricted funds have interfund loans and receivables totaling \$854,241 (2017 - \$700,474). The funds report the following amounts payable:

	<i>March 31</i> <b>2018</b>	<i>June 30</i> <b>2017</b>
General Fund	\$ 854,241	\$ 700,674
Gaming Fund	-	(200)
	<b>\$ 854,241</b>	<b>\$ 700,474</b>

There are no set terms or conditions on borrowings from other funds.

### 15. PLEDGES AND BEQUESTS

The Foundation receives pledges and bequests from donors. Management estimates that the Foundation will receive pledges and bequests of approximately \$1,405,335 (2017 - \$1,367,600) within the next fiscal year which will be recognized as revenue in the financial statements when received. Approximately \$1,006,167 (2017 - \$1,357,600) of the pledges and bequests are expected to be unrestricted contributions.

Subsequent to the year end, the Foundation received \$844,685 of the bequests.

### 16. REMUNERATION

On November 28, 2016 the new British Columbia Societies Act came into force. Included in the new Act is a requirement to disclose the remuneration paid to all directors, the ten highest paid employees and all contractors who are paid at least \$75,000 annually.

During the nine month period, the Foundation paid \$230,453 (2017 - \$460,854) in remuneration to two people (2017 - four) who are employees, whose remuneration, during the applicable period, was at least \$75,000.

# **NANAIMO & DISTRICT HOSPITAL FOUNDATION**

## **Notes to Non-Consolidated Financial Statements**

**Nine Month Period Ended March 31, 2018**

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### **17. SUBSEQUENT EVENTS**

On September 1, 2018, the Foundation sold one of its strata units for total proceeds of \$532,000. The net book value of this strata unit is \$460,498. The Foundation has entered into a long term lease agreement with the purchaser of this unit commencing September 1, 2018 that expires on August 31, 2023, with the option of two successive options to renew this lease, each for a term of five years. Under the lease, the Foundation is required to pay an annual base rent of \$45,263 for the five year term. In addition to the above base rent, the Foundation must pay for property taxes, strata costs, and other related costs for the leased premises. On September 10, 2018, the long term debt (Note 10) was repaid.