

SOUTH OKANAGAN SIMILKAMEEN MEDICAL FOUNDATION

STATEMENT OF FINANCIAL POSITION

as at March 31, 2018

ASSETS						
	General Fund	Capital Asset Fund	Restricted Fund	Endowment Fund	2018 Total	2017 Total
CURRENT ASSETS						
Cash	\$ 569,132	\$ -	\$ 212,802	\$ -	\$ 781,934	\$ 497,957
Investments - Note 3	-	-	16,561,152	-	16,561,152	13,157,430
Accounts receivable	836	-	140,428	-	141,264	1,080
Inventory	3,791	-	-	-	3,791	3,756
Prepaid expenses	26,110	-	-	-	26,110	1,591
	<u>599,869</u>	<u>-</u>	<u>16,914,382</u>	<u>-</u>	<u>17,514,251</u>	<u>13,661,814</u>
INVESTMENT IN PARTNERSHIP						
- Note 3	58,320	-	-	-	58,320	57,515
ENDOWMENT INVESTMENTS - Note 3						
	-	-	-	2,302,106	2,302,106	129,131
CAPITAL ASSETS - Note 4						
	-	15,711	-	-	15,711	22,065
LAND HELD - Note 5						
	-	-	1,520,000	-	1,520,000	1,520,000
CHARITABLE REMAINDER TRUSTS - Note 6						
	-	-	-	-	-	1,388,413
	<u>\$ 658,189</u>	<u>\$ 15,711</u>	<u>\$ 18,434,382</u>	<u>\$ 2,302,106</u>	<u>\$ 21,410,388</u>	<u>\$ 16,778,938</u>
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable - Note 7	\$ 25,968	\$ -	\$ 2,761,603	\$ -	\$ 2,787,571	\$ 1,017,414
Wages payable	1,125	-	-	-	1,125	-
Payroll deductions payable	12,541	-	-	-	12,541	13,655
	<u>39,634</u>	<u>-</u>	<u>2,761,603</u>	<u>-</u>	<u>2,801,237</u>	<u>1,031,069</u>
FUND BALANCES						
INVESTED IN CAPITAL ASSETS	-	15,711	-	-	15,711	22,065
EXTERNALLY RESTRICTED	-	-	15,672,779	2,302,106	17,974,885	15,197,232
UNRESTRICTED	<u>618,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>618,555</u>	<u>528,572</u>
	<u>618,555</u>	<u>15,711</u>	<u>15,672,779</u>	<u>2,302,106</u>	<u>18,609,151</u>	<u>15,747,869</u>
	<u>\$ 658,189</u>	<u>\$ 15,711</u>	<u>\$ 18,434,382</u>	<u>\$ 2,302,106</u>	<u>\$ 21,410,388</u>	<u>\$ 16,778,938</u>

APPROVED BY THE BOARD:

SOUTH OKANAGAN SIMILKAMEEN MEDICAL FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
year ended March 31, 2018

	General Fund	Capital Asset Fund	Restricted Fund	Endowment Fund	2018 Total	2017 Total
FUND BALANCES , opening	528,572	22,065	14,413,412	1,517,545	16,481,594	13,217,379
Correction of prior period error - Note 8	-	-	(733,725)	-	(733,725)	-
FUND BALANCES , opening restated	528,572	22,065	13,679,687	1,517,545	15,747,869	13,217,379
Excess (deficiency) of revenues over expenses	62,076	(6,354)	1,978,117	827,443	2,861,282	2,530,490
Interfund transfers - Note 9	27,907	-	14,975	(42,882)	-	-
FUND BALANCES , ending	\$ 618,555	\$ 15,711	\$15,672,779	\$ 2,302,106	\$18,609,151	\$15,747,869

SOUTH OKANAGAN SIMILKAMEEN MEDICAL FOUNDATION

STATEMENT OF OPERATIONS

year ended March 31, 2018

	General Fund	Capital Asset Fund	Restricted Fund	Endowment Fund	2018 Total	2017 Total
REVENUES						
Donations	\$ -	\$ -	\$ 5,252,974	\$ 975,000	\$ 6,227,974	\$ 3,661,933
Gifts in kind	-	-	1,216,658	-	1,216,658	4,492
Investment income - Note 3	256,868	-	467,882	-	724,750	344,992
Refund of Provincial Sales Tax	-	-	129,837	-	129,837	79,007
Cafe - net income - Page 13	68,635	-	-	-	68,635	46,979
Rental income	43,560	-	20,604	-	64,164	43,560
Promotional income	52,834	-	-	-	52,834	95,524
Equity in the income of The Care Closet	44,630	-	-	-	44,630	37,447
Employment Insurance rebate	-	-	-	-	-	2,073
	466,527	-	7,087,955	975,000	8,529,482	4,316,007
EXPENSES						
Donations to Health Care Facilities	-	-	5,034,644	-	5,034,644	1,305,541
Wages and benefits	336,542	-	-	-	336,542	338,038
Loss on realization of Charitable Remainder Trusts	-	-	-	147,557	147,557	-
Campaign costs	-	-	54,426	-	54,426	71,894
Investment fees	24,825	-	-	-	24,825	19,437
Professional fees	13,638	-	1,048	-	14,686	15,753
Office and postage	13,335	-	-	-	13,335	8,512
Utilities	-	-	8,347	-	8,347	-
Merchant fees	-	-	5,555	-	5,555	4,807
Advertising	4,433	-	-	-	4,433	1,660
Insurance	3,181	-	1,069	-	4,250	3,203
Amortization	-	4,063	-	-	4,063	5,422
Property management fee	-	-	3,721	-	3,721	-
Vehicle	2,883	-	-	-	2,883	3,468
Loss on disposal of capital assets	-	2,291	-	-	2,291	-
Training	1,533	-	-	-	1,533	1,575
Meetings and events	1,471	-	-	-	1,471	579
Licences, dues and fees	1,391	-	-	-	1,391	235
Interest and bank charges	1,104	-	-	-	1,104	-
Property taxes	-	-	1,028	-	1,028	-
Donor wall	115	-	-	-	115	3,293
Maintenance and repairs	-	-	-	-	-	2,100
	404,451	6,354	5,109,838	147,557	5,668,200	1,785,517
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES						
	\$ 62,076	\$ (6,354)	\$ 1,978,117	\$ 827,443	\$ 2,861,282	\$ 2,530,490

SOUTH OKANAGAN SIMILKAMEEN MEDICAL FOUNDATION

STATEMENT OF CASH FLOWS

year ended March 31, 2018

	General Fund	Capital Asset Fund	Restricted Fund	Endowment Fund	2018 Total	2017 Total
OPERATING ACTIVITIES						
Cash receipts from donations	\$ -	\$ -	\$ 5,570,842	\$ 975,000	\$ 6,545,842	\$ 3,650,540
Cash receipts from other revenues	383,573	-	20,604	-	404,177	445,583
Cash paid to suppliers and employees	(617,708)	-	(75,194)	-	(692,902)	(654,762)
Cash grants paid	-	-	(3,266,585)	-	(3,266,585)	(569,789)
Cash from interest and dividends	288,125	-	5,879	-	294,004	234,474
	53,990	-	2,255,546	975,000	3,284,536	3,106,046
INVESTING ACTIVITIES						
Distributions from the Care Closet	43,825	-	-	-	43,825	36,650
Purchase of investments	-	-	(18,654,995)	(2,301,613)	(20,956,608)	(7,728,470)
Proceeds from investments	-	-	16,600,316	71,054	16,671,370	4,703,043
Purchase of capital assets	-	-	-	-	-	(1,768)
Proceeds from Charitable Remainder Trusts	-	-	-	1,240,854	1,240,854	-
	43,825	-	(2,054,679)	(989,705)	(3,000,559)	(2,990,545)
INCREASE (DECREASE) IN CASH	97,815	-	200,867	(14,705)	283,977	115,501
CASH, BEGINNING OF YEAR	497,957	-	-	-	497,957	382,456
Interfund adjustments	(26,640)	-	11,935	14,705	-	-
CASH, END OF YEAR	\$ 569,132	\$ -	\$ 212,802	\$ -	\$ 781,934	\$ 497,957

SOUTH OKANAGAN SIMILKAMEEN MEDICAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

1. NATURE OF THE FOUNDATION

The South Okanagan Similkameen Medical Foundation was established in 1981 as the official fund-raising body for the hospitals and health services facilities of the South Okanagan and Similkameen area. The Foundation's Articles of Incorporation, Constitution, and By-Laws restrict its purview to the South Okanagan Similkameen health care institutions, facilities and agencies, and other locations and facilities provided that it can be shown that they benefit residents of the South Okanagan Similkameen.

In the fall of 2010, the Foundation began operating a coffee kiosk in the lobby of Penticton Regional Hospital. The Foundation contributed \$64,280 to the construction of the kiosk which then became property of Interior Health. The revenues and expenses for that operation are detailed on page 13 of these financial statements.

The Foundation is incorporated under the Province of British Columbia's Society Act as a non-profit organization, is a registered charitable organization under the Income Tax Act and is, therefore, exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following accounting policies:

Fund accounting

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

The General Fund accounts for the Foundation's administrative activities. This fund reports unrestricted resources and restricted administrative contributions including donations and investment income designated for administrative activities.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Foundation's capital assets.

The Restricted Fund reports donations, fundraising expenses, and the related grants to South Okanagan Similkameen health care institutions, facilities, and agencies.

The Endowment Fund reports resources contributed for endowment. Investment income earned on resources of the Endowment Fund is reported in the appropriate restricted fund or the General Fund depending on the nature of any restrictions imposed by contributors of funds for endowment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less. Cash balances held in investment accounts are excluded from cash and cash equivalents.

Valuation of inventory

Inventory is measured at the lower of cost and net realizable value. Cost is determined using the first-in-first-out method.

SOUTH OKANAGAN SIMILKAMEEN MEDICAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in partnership

The investment in The Care Closet consists of a one-third interest in the partnership and is reported using the equity method. Under this method, the investment was initially recorded at cost and then adjusted to recognize the Foundation's share of earnings or losses and reduced by distributions received. By virtue of the Foundation's investment in The Care Closet, the two entities are considered related parties.

Capital assets

Purchased capital assets are reported at cost, or deemed cost. Contributed capital assets are recorded at the fair market value of the asset at the date of contribution if the fair market value can be reasonably estimated. Amortization is provided annually at the following rates and methods which have been established by estimates of useful lives of the assets.

Furniture and equipment	20% declining balance
Computer equipment	30% declining balance

Amortization is recorded at one-half the normal rate in the year of acquisition, and no amortization is taken in the year of disposition.

Impairment of capital assets is reviewed whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

Revenue recognition

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

Restricted contributions designated for general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Contributions for endowment are recognized as revenue in the Endowment Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

All other revenues are recorded when earned or when the amounts can be estimated and collection is reasonably assured.

Donated supplies and services

The Foundation benefits from the value of volunteer time which has not been recognized in the financial statements. The Foundation also receives office space and services from Interior Health for which no amount has been recorded in the financial statements. The value of donated supplies and services, when the amount can be reasonably estimated has been recorded at fair market value.

SOUTH OKANAGAN SIMILKAMEEN MEDICAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial instruments are recorded at fair value on initial recognition.

Charitable Remainder Trusts are subsequently measured at amortized cost determined by an actuary using several relevant factors. Income from financial assets measured at amortized cost and realized gains and losses are reported in net income. Transaction costs on financial assets measured at amortized cost are capitalized.

Investments in equity instruments that are quoted in an active market are subsequently measured at fair value based on quoted market prices. Income from financial assets measured at fair value and gains and losses, whether realized or unrealized, are reported in net income. Transaction costs on financial assets measured at fair value are expensed when incurred.

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, management 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 realized 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. Impairment losses, if any, are reported in net income in the year the impairment is identified.

Use of estimates

When preparing financial statements in accordance with ASNPO, management is required to make estimates and assumptions relating to the:

- Reported amounts of revenue and expenses for the year;
- Reported amounts of assets and liabilities; and
- Disclosure of contingent assets and liabilities at the report date.

These assumptions are based on a number of factors, including historical experience, current events and actions that the Foundation may undertake in the future, and other assumptions believed reasonable under the circumstances. Management periodically reviews these estimates and, accordingly, adjustments made to these estimates are taken into income in the year in which it is determined. These estimates are subject to measurement uncertainty, and actual results may therefore differ from those estimates.

SOUTH OKANAGAN SIMILKAMEEN MEDICAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

3. INVESTMENTS

Investments reported as current assets consist of a portfolio of interest bearing securities and equity instruments. These investments are valued at fair market value and have a cost of \$16,227,259 (2017 - \$12,822,869). There is a restriction on the investments by a contributor that the amount of \$25,000 be held until October 2026 or the date of death of the contributor, whichever is later. Investment income includes realized gains of \$26,892 (2017 - \$18,495) and unrealized losses of \$56,616 (2017 - unrealized gains of \$92,523).

Investments reported as non-current assets are as follows:

	2018	2017
Investment in partnership	\$ 58,320	\$ 57,515
The investment in the partnership represents a one-third interest in the Care Closet thrift store and is reported using the equity method.		
Endowment investments	\$ 2,302,106	\$ 129,131
The endowment investments consist of a portfolio of interest bearing securities and equity instruments. They are reported at fair market value and have a cost of \$2,354,740 (2017 - \$125,816).		

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2018	2017
Furniture and equipment	\$ 73,699	\$ 58,749	\$ 14,950	\$ 20,972
Computer equipment	15,242	14,481	761	1,093
	<u>\$ 88,941</u>	<u>\$ 73,230</u>	<u>\$ 15,711</u>	<u>\$ 22,065</u>

5. LAND HELD

The Foundation received a gift of land in 2012 with a fair market value of \$1,520,000. The terms of the gift include a restriction that the land shall not be used for any purpose other than the treatment and care of sick, wounded, infirm or aged persons, including ancillary uses therefore, which may include a parking lot or parking structure. The restrictive covenant is perpetual. In addition the terms of the gift give the donor right of first refusal on any sale of the land until September 2091. The Foundation has no immediate plans to develop the land.

The Foundation has a lease agreement for the land with Interior Health expiring April 1, 2019. Rent is set at \$43,560 per annum. Interior Health has the right to terminate the lease at any time by giving 90 days notice.

SOUTH OKANAGAN SIMILKAMEEN MEDICAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

6. CHARITABLE REMAINDER TRUSTS

The Foundation was bestowed four Charitable Remainder Trusts of \$500,000, \$200,000, \$300,000, and \$400,000. The present value discounts of the Charitable Remainder Trusts was being amortized over 13.2 years, 11 years, 9.85 years, and 7.74 years based on actuarial estimates of the estimated life expectancy of the income beneficiary at the time the donations were made.

During the year the income beneficiary passed away and the remaining capital portion of the trusts, less a holdback for taxes and contingencies was transferred to the Foundation and added to its endowment investments (see notes 3 and 10). The variance between the estimated value of the trusts and the actual value after the holdbacks has been charged to income in the endowment fund in the current year.

7. ACCOUNTS PAYABLE

	2018	2017
Trade payable - General Fund	\$ 16,926	\$ 16,696
Trade payables - Restricted Fund	2,761,603	997,743
Goods and Services Tax payable	9,042	2,975
	<u>\$ 2,787,571</u>	<u>\$ 1,017,414</u>

8. PRIOR PERIOD ERROR

The Foundation learned that a grant that should have been accounted for in the 2017 fiscal year was not recorded. As a result of correcting this error, the Restricted Fund balance was reduced by \$733,725 on April 1, 2017 and the 2017 financial statements have been restated. Accounts payable and Donations to health care facilities were increased and excess of revenue over expenses were decreased by \$733,725 in the 2017 financial statements.

9. INTERFUND TRANSFERS

The interfund transfers represent the net amounts of investment income, including unrealized gains or losses, transferred to and from the respective funds.

10. ENDOWMENTS

The Endowment Fund is made up of the proceeds from the Charitable Remainder Trusts (see note 6) and a donation from a specific estate in the amount of \$125,816.

The terms of the endowment from the estate call for the principal of the endowment to be held in perpetuity and any income earned to be used for diagnostic equipment. The income earned on this endowment is reported in the restricted fund.

The terms of the Charitable Remainder Trusts called for the funds to be held in a permanent endowment fund named the Castellarin Memorial Fund. Income earned from the endowment is to be used for the general purposes of the Foundation and is reported in the general fund.

11. WAGES AND BENEFITS

During the year, the executive director remuneration amounted to \$115,900 (2017 - \$108,760).

SOUTH OKANAGAN SIMILKAMEEN MEDICAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

12. FINANCIAL INSTRUMENTS - FINANCIAL RISKS

The Foundation is exposed to various risks through its financial instruments, without being exposed to any concentrations of risk. The main areas of risk are:

Credit risk:

Credit risk is the risk that one party to a financial asset will cause a loss for the Foundation by failing to discharge an obligation. The Foundation is not subject to significant credit risk as it does not grant credit on a regular basis and only recognises in the financial statements pledges that have been received at the date of completion of the financial statements.

Market risk:

Market risk is the risk that the fair value or future cash flows of the Foundation's financial instruments will fluctuate because of changes in market prices. Market risk comprises interest rate risk and other price risk. Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market prices other than interest rate risk. Some of the Foundation's financial instruments expose it to market risk. The Foundation reduces this risk by investing in high quality equity and interest bearing instruments.

SOUTH OKANAGAN SIMILKAMEEN MEDICAL FOUNDATION**SOS CAFE - SCHEDULE OF REVENUES AND EXPENSES**

year ended March 31, 2018

	2018	2017
REVENUES	\$ 288,468	\$ 227,228
COST OF GOODS SOLD	141,164	107,214
GROSS PROFIT	147,304	120,014
EXPENSES		
Wages and benefits	57,441	56,290
Supplies	15,705	10,830
Insurance	1,583	1,539
Advertising and promotion	1,330	-
Interest and bank charges	885	715
Uniforms	707	-
Telephone	500	500
Office and postage	460	485
Vehicle	64	341
Licences, dues and fees	28	150
Equipment maintenance	(34)	2,185
	78,669	73,035
NET INCOME	\$ 68,635	\$ 46,979
