

Financial Statements of

**ST. BONIFACE HOSPITAL
FOUNDATION INC.**

Year ended December 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Member of St. Boniface Hospital Foundation Inc.

We have audited the accompanying financial statements of St. Boniface Hospital Foundation Inc., which comprise the statement of financial position as at December 31, 2015, the statements of operations and changes in fund balances 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 is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Boniface Hospital Foundation Inc. as at December 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.

KPMG LLP

Chartered Professional Accountants

March 18, 2016

Winnipeg, Canada

ST. BONIFACE HOSPITAL FOUNDATION INC.

Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Cash	\$ 5,659,659	\$ 4,942,736
Accounts receivable	3,142,692	2,835,324
Prepaid expenses	129,571	58,350
Investments (note 3)	48,228,884	43,020,011
Cash surrender value of life insurance (note 4)	479,623	474,308
Capital assets (note 5)	449,336	537,736
	\$ 58,089,765	\$ 51,868,465

Liabilities and Fund Balances

Accounts payable and accrued liabilities (note 10)	\$ 760,610	\$ 950,291
Grants payable (note 10)	4,824,943	4,053,682
	5,585,553	5,003,973
Fund balances:		
Unrestricted (notes 8 and 11)	84,333	(344,254)
Endowment (note 7)	32,137,028	27,433,407
Sustaining (notes 7, 8 and 11)	10,022,024	9,236,533
Restricted designated (note 11)	10,260,827	10,538,806
	52,504,212	46,864,492
Commitments (note 11)		
	\$ 58,089,765	\$ 51,868,465

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board of Directors:



ST. BONIFACE HOSPITAL FOUNDATION INC.

Statement of Operations and Changes in Fund Balances

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

	Unrestricted Fund	Endowment Fund	Sustaining Fund	Restricted Designated Fund	2015 Total	2014 Total
Revenue:						
Contributions:						
Major gifts	\$ 55,441	\$ 2,753,517	\$ —	\$ 2,406,003	\$ 5,214,961	\$ 4,787,947
Development	2,188,168	235,563	—	676,335	3,100,066	1,653,541
Investments (note 6)	359,805	249,686	428,391	1,109,357	2,147,239	2,704,679
Unrealized changes in fair value of investments	(335,480)	816,885	246,442	—	727,847	1,453,520
	2,267,934	4,055,651	674,833	4,191,695	11,190,113	10,599,687
Lotteries:						
Lottery revenue	10,133,655	—	—	75,000	10,208,655	10,556,695
Cost of lotteries	8,068,012	—	—	—	8,068,012	8,205,508
	2,065,643	—	—	75,000	2,140,643	2,351,187
	4,333,577	4,055,651	674,833	4,266,695	13,330,756	12,950,874
Expenses:						
Administration	805,808	—	—	—	805,808	812,106
Major gifts	1,084,442	—	—	—	1,084,442	1,149,483
Development	904,598	—	—	—	904,598	807,226
	2,794,848	—	—	—	2,794,848	2,768,815
Excess of revenue over expenses before grants	1,538,729	4,055,651	674,833	4,266,695	10,535,908	10,182,059
Grants (note 10)	999,484	—	—	3,896,704	4,896,188	5,679,018
Excess of revenue over expenses	539,245	4,055,651	674,833	369,991	5,639,720	4,503,041
Fund balances, beginning of year	(344,254)	27,433,407	9,236,533	10,538,806	46,864,492	42,361,451
Inter-fund transfers for designated donations	—	647,970	—	(647,970)	—	—
Inter-fund transfers per Foundation's policies (note 8)	(110,658)	—	110,658	—	—	—
Fund balances, end of year	\$ 84,333	\$ 32,137,028	\$ 10,022,024	\$ 10,260,827	\$ 52,504,212	\$ 46,864,492

The accompanying notes are an integral part of the financial statements.

ST. BONIFACE HOSPITAL FOUNDATION INC.

Statement of Cash Flows

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

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 5,639,720	\$ 4,503,041
Items not involving cash:		
Unrealized changes in fair value of investments	(727,847)	(1,453,520)
Amortization	114,385	121,759
Cash surrender value of life insurance	(5,315)	(44,869)
Change in non-cash operating working capital:		
Accounts receivable	(307,368)	(1,896,210)
Prepaid expenses	(71,221)	7,039
Accounts payable and accrued liabilities	(189,681)	(227,032)
Grants payable	771,261	1,666,329
	5,223,934	2,676,537
Investing activities:		
Capital assets acquired	(25,985)	(31,141)
Increase in investments, net	(4,481,026)	(2,639,955)
	(4,507,011)	(2,671,096)
Increase in cash	716,923	5,441
Cash, beginning of year	4,942,736	4,937,295
Cash, end of year	\$ 5,659,659	\$ 4,942,736

The accompanying notes are an integral part of the financial statements.

ST. BONIFACE HOSPITAL FOUNDATION INC.

Notes to Financial Statements

Year ended December 31, 2015

1. Purpose of the organization:

The St. Boniface Hospital Foundation Inc. (the "Foundation") is a self-funded organization, which raises funds to provide quality health care research as well as programs for improved quality of life and respect for individuals. As the primary fundraising organization for the St. Boniface General Hospital, the Foundation is an integral part of the continuing threefold objective of providing excellence in patient care, education and research.

The Foundation was incorporated in the Province of Manitoba as a not-for-profit organization and is a registered charity under the *Income Tax Act*. Articles of amendment were filed under *The Corporations Act* of Manitoba on July 10, 2015 to change the name of the Foundation to St. Boniface Hospital Foundation Inc. (formerly St. Boniface Hospital & Research Foundation Inc.).

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(a) Fund accounting:

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

The Unrestricted Fund consists of contributions for which donors have not designated a specific purpose and revenue related to general fundraising. Amortization of capital assets and unrestricted investment income are recognized in this Fund.

Endowment funds are contributions designated by donors to remain in perpetuity. The investment income earned by these funds is either restricted by the donor for specific use, or for the general use of the Foundation. Investment income is allocated to each endowment fund annually. A portion of the investment income is often redirected to build the principal balance while the remaining amount is granted as directed by the donor.

The Foundation has established a Sustaining Fund. Investment income earned on this fund is recognized in the Sustaining Fund to ensure the viability and the fulfillment of grant requirements for the maintenance of patient care, education and research projects currently underway, and those planned for the future.

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Year ended December 31, 2015

2. Significant accounting policies (continued):

The Restricted Designated Fund consists of restricted contributions related to specific areas of excellence in patient care, education and research, including funds for the capital and development costs of the Clinical Research and Cardiac Centres of St. Boniface General Hospital.

(b) Revenue recognition:

Externally restricted contributions are recognized as revenue when received or receivable in the Restricted Designated Fund, if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue when received or receivable in the Unrestricted Fund, if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as revenue when received in the Endowment Fund.

Unrestricted investment income is recognized in the Unrestricted Fund. Restricted investment income is allocated to the appropriate Endowment, Sustaining or Restricted Fund. All other fund raising proceeds and donations are recorded in the Unrestricted Fund.

Pledges made to the Foundation are recorded in the year in which the funds are received.

(c) 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 not elected to carry any such financial instruments 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.

(d) Contributed services:

Volunteers are an integral part of carrying out the activities of the Foundation. Contributed services are not recognized in the financial statements because of the difficulty in determining their fair market value.

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Year ended December 31, 2015

2. Significant accounting policies (continued):

(e) Grants:

Grants are expensed in the fiscal year for which they are approved.

(f) Cash surrender value of life insurance:

Life insurance policies that have been assigned irrevocably by donors are valued at their current cash surrender value.

(g) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value on the date of contribution. Capital assets are amortized on a straight-line basis over their estimated useful lives. Any gain or loss on disposal of these assets is recorded in the statement of operations in the year of disposal.

The estimated useful lives of capital assets are as follows:

Asset	Years
Leasehold improvements	10
Furniture and equipment	5
Computer equipment	3 - 10

(h) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and investments. Actual results could differ from those estimates.

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Year ended December 31, 2015

3. Investments:

	2015	2014
Equity Funds	\$ 28,987,472	\$ 24,281,680
Bond Fund	13,441,751	12,781,451
Money Market Fund	5,799,661	5,956,880
	<u>\$ 48,228,884</u>	<u>\$ 43,020,011</u>

4. Cash surrender value of life insurance:

	2015	2014
Balance, beginning of year	\$ 474,308	\$ 429,439
Increase during the year, net of amounts received	5,315	44,869
Balance, end of year	<u>\$ 479,623</u>	<u>\$ 474,308</u>

The Foundation is the designated beneficiary of nine (2014 - nine) life insurance policies. Proceeds receivable on the demise of the donors will be approximately \$1,169,000 (2014 - \$1,170,000).

5. Capital assets:

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements	\$ 665,263	\$ 285,469	\$ 379,794	\$ 446,320
Furniture and equipment	184,799	160,674	24,125	44,492
Computer equipment	149,431	104,014	45,417	46,924
	<u>\$ 999,493</u>	<u>\$ 550,157</u>	<u>\$ 449,336</u>	<u>\$ 537,736</u>

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Year ended December 31, 2015

6. Investments revenue:

	2015	2014
Equity Funds	\$ 1,681,838	\$ 2,403,721
Bond Fund	426,754	333,196
Money Market Fund	203,233	89,527
Bank interest	56,161	62,344
Investment management fees	(221,631)	(183,009)
Other	884	(1,100)
	<u>\$ 2,147,239</u>	<u>\$ 2,704,679</u>

7. Endowment and Sustaining Funds:

Investment income allocation:

The calculation and allocation of investment income earned by the Endowment and Sustaining Funds is performed at December 31 each year. The investment income available for granting is calculated at 5.0 percent (2014 - 4.8 percent) of the Endowment and Sustaining Funds' average market value over the three preceding years less an administration fee of 0.5 percent of the current market value of the Endowment and Sustaining Funds.

8. Inter-fund transfers:

The Foundation has a policy to transfer 10 percent of excess funds from the Unrestricted Fund to the Sustaining Fund. During fiscal 2015, the Foundation transferred excess funds from the year ended December 31, 2014 of \$110,658.

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Year ended December 31, 2015

9. Pledges:

Pledges made to the Foundation, but not recorded are as follows:

	Unrestricted Fund	Endowment Fund	Restricted Designated Fund
2016	\$ 25,104	\$ 160,951	\$ 341,050
2017	15,445	160,651	185,857
2018	12,033	142,679	135,857
2019	1,090	74,479	13,000
	<u>\$ 53,672</u>	<u>\$ 538,760</u>	<u>\$ 675,764</u>

10. Related parties:

During the year, the Foundation had transactions with the following related parties. These entities are without share capital and are related due to common control.

	2015	2014
Amounts due to St. Boniface General Hospital are included in the following accounts:		
Accounts payable and accrued liabilities	\$ 2,865	\$ 20,127
Grants payable	4,824,943	4,053,682
	<u>2015</u>	<u>2014</u>
Expenses:		
Grants to St. Boniface General Hospital	\$ 4,896,188	\$ 5,679,018

The above transactions occurred in the ordinary course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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Year ended December 31, 2015

11. Commitments:

The Foundation has committed to grants in future years from the Unrestricted Fund and has estimated timing of commitments from the Restricted Designated Fund as follows:

	Unrestricted Fund	Restricted Designated Fund	Total
2016	\$ 1,538,729	\$ 1,609,357	\$ 3,148,086
2017	85,000	5,372,322	5,457,322
2018	85,000	779,148	864,148
2019	85,000	–	85,000
2020	85,000	–	85,000
Thereafter	85,000	–	85,000
	<u>\$ 1,963,729</u>	<u>\$ 7,760,827</u>	<u>\$ 9,724,556</u>

As approved by the Board of Directors, the Unrestricted Fund was loaned \$850,000 from the Sustaining Fund for leasehold improvement and equipment costs in 2011. The funds will be repaid by the Unrestricted Fund to the Sustaining Fund over a period of ten years in the amount of \$85,000 per year, which commenced in 2012. The remaining annual commitment is reflected in the table above.

12. Financial risks:

(a) Investment risk:

The Foundation's investments in equities are sensitive to market fluctuations. To properly manage the Foundation's other price risk, appropriate guidelines on asset diversification to address specific security, geographic, sector and investment manager risks are set and monitored.

The Foundation is exposed to financial risks as a result of exchange rate fluctuations on certain of its investments and the volatility of these rates. In the normal course of business, the Foundation holds investments denominated in U.S. dollars. The Foundation does not currently enter into forward contracts to mitigate this risk.

The Foundation's fixed income investments are exposed to the risk that the value of interest-bearing investments will fluctuate due to changes in the level of market interest rates. To properly manage the Foundation's interest rate risk, appropriate guidelines on the weighting and duration for fixed income investments are set and monitored. There has been no change to the risk exposure from 2014.

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Year ended December 31, 2015

12. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2014.