



March 31, 2018

Financial Statements

Because we've got you, we've got this.

Queen Elizabeth II Health Sciences Centre Foundation

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Independent auditor's report

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To the members of the Board of Directors of
Queen Elizabeth II Health Sciences Centre Foundation

We have audited the accompanying financial statements of the Queen Elizabeth II Health Sciences Centre Foundation (the "Foundation"), which comprise the balance sheet as at March 31, 2018, and the statements of revenues, expenses and changes in fund balances and cash flows for the year then ended, and 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Queen Elizabeth II Health Sciences Centre Foundation as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Halifax, Canada
June 27, 2018



Chartered Professional Accountants
Licensed Public Accountants

Queen Elizabeth II Health Sciences Centre Foundation

Statements of revenue, expenses and fund balances

Years ended March 31

2018

2017

	Endowment fund	Designated fund	Undesignated fund	Total	Total
Revenue					
Annual giving	\$ 23,514	\$ 543,931	\$ 795,412	\$ 1,362,857	\$ 1,404,590
Planned giving	-	875,314	1,569,453	2,444,767	1,498,935
Major gifts	1,477,348	2,340,270	5,984	3,823,602	5,407,236
Fund development	15,000	550,014	948	565,962	1,006,761
Special events (note 6)	-	1,294,037	12,956	1,306,993	1,216,422
Gaming, net (note 7)	-	-	5,923,305	5,923,305	6,439,478
	<u>1,515,862</u>	<u>5,603,566</u>	<u>8,308,058</u>	<u>15,427,486</u>	<u>16,973,422</u>
Expenses					
Fundraising					
Annual giving	-	-	536,843	536,843	477,898
Planned giving	-	-	390,785	390,785	359,254
Major gifts	-	-	531,084	531,084	548,884
Special events (note 6)	-	338,334	179,673	518,007	611,581
Administrative					
Administration	-	55,405	1,995,082	2,050,487	1,988,020
Public education	-	446,372	754,000	1,200,372	704,019
Donor recognition	-	-	168,163	168,163	176,003
	<u>-</u>	<u>840,111</u>	<u>4,555,630</u>	<u>5,395,741</u>	<u>4,865,659</u>
Excess of revenue over expenses before other income	1,515,862	4,763,455	3,752,428	10,031,745	12,107,763
Other income					
Investments, net (note 8)	<u>1,366,827</u>	<u>-</u>	<u>722,955</u>	<u>2,089,782</u>	<u>3,680,746</u>
Excess of revenue over expenses	<u>\$ 2,882,689</u>	<u>\$ 4,763,455</u>	<u>\$ 4,475,383</u>	<u>\$ 12,121,527</u>	<u>\$ 15,788,509</u>
Fund balances, beginning of year					
	30,143,765	29,239,991	5,444,797	64,828,553	61,661,478
Excess of revenue over expenses					
	2,882,689	4,763,455	4,475,383	12,121,527	15,788,509
Re-measurement of employee future benefit					
	-	-	-	-	56,367
Fund disbursements (note 9)					
	(757,907)	(7,334,736)	(539,212)	(8,631,855)	(12,677,801)
Interfund transfers (note 10)					
	<u>1,325,262</u>	<u>2,227,039</u>	<u>(3,552,301)</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 33,593,809</u>	<u>\$ 28,895,749</u>	<u>\$ 5,828,667</u>	<u>\$ 68,318,225</u>	<u>\$ 64,828,553</u>

See accompanying notes to the financial statements.

Queen Elizabeth II Health Sciences Centre Foundation

Balance Sheet

Years ended March 31

2018

2017

	Endowment fund	Designated fund	Undesignated fund	Total	Total
Assets					
Current					
Cash	\$ -	\$ 8,050,064	\$ 5,658,257	\$ 13,708,321	\$ 13,888,478
Cash held for lottery	-	-	6,484,187	6,484,187	2,997,552
Pledges receivable (note 3)	314,529	1,871,631	218,631	2,404,791	2,234,507
Receivables and other	5,003	389,601	514,906	909,510	538,103
Prepays	-	4,129	123,070	127,199	90,044
	319,532	10,315,425	12,999,051	23,634,008	19,748,684
Pledges receivable (note 3)	584,126	1,195,991	164,932	1,945,049	2,803,933
Investments, at market value (note 4)	32,740,652	17,841,093	-	50,581,745	47,582,806
Capital assets (note 5)	-	-	366,667	366,667	404,175
	\$ 33,644,310	\$ 29,352,509	\$ 13,530,650	\$ 76,527,469	\$ 70,539,598

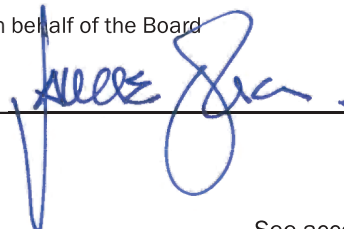
Liabilities and fund balances

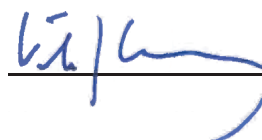
Liabilities

Current					
Unearned revenue	\$ -	\$ 39,531	\$ 3,281,665	\$ 3,321,196	\$ 3,323,121
Payables and accruals	50,501	130,705	3,757,420	3,938,626	334,319
Payable to Queen Elizabeth II Health Sciences Centre	-	286,524	24,194	310,718	1,475,600
	50,501	456,760	7,063,279	7,570,540	5,133,040
Employee pension plan benefits (note 11)	-	-	638,704	638,704	578,005
Fund balances	33,593,809	28,895,749	5,828,667	68,318,225	64,828,553
	\$ 33,644,310	\$ 29,352,509	\$ 13,530,650	\$ 76,527,469	\$ 70,539,598

Commitments (note 12)

On behalf of the Board


Trustee


Trustee

See accompanying notes to the financial statements.

Queen Elizabeth II Health Sciences Centre Foundation

Statement of cash flows

Years ended March 31	2018	2017
Increase (decrease) in cash		
Operating		
Excess of revenue over expenses	\$ 12,121,527	\$ 15,788,509
Fund disbursements	(8,631,855)	(12,677,801)
Remeasurement of employee future benefits	-	56,367
Amortization	73,159	76,390
Realized income and gains on investments	(2,174,885)	(1,619,925)
Unrealized change in market value of investments	80,425	(2,106,084)
	<u>1,468,371</u>	<u>(482,544)</u>
Changes in non-cash working capital		
Pledges and accounts receivable	317,193	(105,517)
Prepays	(37,155)	101,061
Unearned revenue	(1,925)	803,650
Payables and accruals	3,604,307	149,922
Payable to Queen Elizabeth II Health Sciences Centre	(1,164,882)	1,443,425
Employee Future Benefits	60,699	9,870
Subtotal	<u>2,778,237</u>	<u>2,402,411</u>
	<u>4,246,608</u>	<u>1,919,867</u>
Investing		
Net (additions) withdrawals from investments	(904,479)	745,316
Investment in capital assets	(35,651)	(374,644)
Net change in cash held for lottery	(3,486,635)	(473,082)
	<u>(4,426,765)</u>	<u>(102,410)</u>
Net (decrease) increase in cash	(180,157)	1,817,457
Cash		
Beginning of the year	<u>13,888,478</u>	<u>12,071,021</u>
End of the year	<u>\$ 13,708,321</u>	<u>\$ 13,888,478</u>

See accompanying notes to the financial statements.

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2018

1. Nature of operations

The Queen Elizabeth II Health Sciences Centre Foundation (the "Foundation") is a not-for-profit organization established to raise and receive funds to support patient care, education and research at the Queen Elizabeth II Health Sciences Centre (the "Health Centre"). The Foundation is a registered trust under the Income Tax Act and as such, is not subject to income tax.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The significant policies are detailed as follows:

Fund accounting

The Foundation follows the Restricted Fund method of accounting for donations.

The Designated Fund, representing amounts received from donors and special events, is to be used to provide grants toward expenditures for hospital programs, equipment needs and other payments as specified by the donor on the receipt of the contributions.

The Undesignated Fund represents amounts for which a specific purpose has not been identified by the donor and includes Funds which have been internally restricted by the Foundation's Board of Trustees to be used for specific purposes compatible with the objectives of the Foundation.

The Endowment Fund represents amounts received where the donor has specified that the resource contributed be permanently maintained, as well as amounts transferred as approved by the Board of Trustees to be held for endowment purposes. Investment income generated on endowments must be used in accordance with the various purposes established by the donor or the Board of Trustees. The Foundation has established an Endowment Management policy that limits the amount of income that may be expended in order to protect the purchasing power of the capital base of endowments while achieving stability in year-to-year spending.

Revenue recognition

Unrestricted donations are recognized as revenue of the Undesignated Fund when received. The gross amount of gaming revenue received for lottery ticket sales, net of any expenses incurred to date, is recorded as cash held for lottery and unearned revenue until the lottery draw occurs and the remaining expenses are paid.

Restricted donations are recognized as revenue of the Designated Fund. Donations are considered restricted when specifically restricted by the donor and when received for a specific campaign.

Contributions where the capital resource is to be maintained permanently are recognized as revenue of the Endowment Fund.

Pledges are recorded as receivables at the time they are pledged net of allowances for amounts not considered collectible.

Licensing fees are recognized as revenue of the undesignated fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donated insurance policies are recognized into income at their estimated fair value on the date ownership is transferred to the Foundation. The Foundation has recognized \$357,393 (2017 - \$Nil) of donated insurance policies into income during the year.

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2018

2. Summary of significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost and amortized using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	Remaining lease term
Office equipment and furniture	5 years
Computer equipment	5 years

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Financial instruments that are quoted in an active market such as equities and bonds are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry investments in pooled funds at fair value with changes in fair value recognized in net income in the period in which they arise. Fair value is measured as the closing price of an investment on an active quoted market.

Investments in pooled funds with underlying investments in equities or bonds and debentures or short term deposits and cash are valued based on the latest unit values supplied by the external pooled fund investment manager. This represents the Foundation's proportionate share of underlying net assets at fair value determined using closing market prices.

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. These costs are amortized using the effective interest rate method.

The financial instruments measured at amortized cost are cash, cash held for lottery, pledges receivable, receivables and other, and payables and accruals.

For financial assets measured at cost or amortized cost, the Foundation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Foundation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

All undesignated and designated investment income earned is recognized as revenue of the Undesignated Fund. Endowment investment income is recognized as revenue of the Endowment Fund.

Investments are subject to interest, currency and credit risk. These risks are mitigated through the use of professional investment managers and appropriate asset, sector and geographic allocations.

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2018

2. Summary of significant accounting policies (continued)

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known. Items subject to significant management estimates include the allowance for pledge receivables, unfunded pension plan liabilities, life insurance policies, and fair value of investments.

Donated materials and services

Donated materials and services are recorded in the financial statements when the fair value of these items can be reasonably estimated. The Foundation has recognized \$57,050 (2017 - \$228,320) as donated materials and services during the year. Donated materials included in capital assets for the Health Centre such as equipment and furniture, as well as advertising, media coverage, and promotional items.

Cash

Cash in the bank is currently in an interest bearing account yielding interest at prime less 1.75% for closing daily balances.

Employee future benefits

The Foundation has a multi-employer defined benefit plan and registered retirement savings plan, both of which have been accounted for as defined contribution plans.

The Foundation also has a Supplemental Employee Pension Plan, for which it accrues the estimated liability payable in subsequent years according to its policy. The retirement benefit is actuarially determined using the projected benefit method prorated on service.

3. Pledges receivable

Pledges receivable are recorded net of write-offs and allowances for amounts not considered collectable as follows:

	<u>2018</u>	<u>2017</u>
Pledges Receivable	\$ 5,080,856	5,517,332
Allowances	(731,016)	(478,892)
Pledges receivable, net of allowances	<u>\$ 4,349,840</u>	<u>\$ 5,038,440</u>
Comprised of:		
Current portion	\$ 2,404,791	\$ 2,234,507
Long term	1,945,049	2,803,933
	<u>\$ 4,349,840</u>	<u>\$ 5,038,440</u>
Continuity of allowances:		
Balance, beginning of year	\$ 478,892	\$ 262,112
Write-offs	(400,573)	(139,337)
Increase in allowances	652,697	356,117
	<u>\$ 731,016</u>	<u>\$ 478,892</u>

Pledges recognized in revenue during the year totalled \$2,778,822 (2017 - \$4,038,849).

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2018

4. Investments, at fair value

The Foundation invests in accordance with its investment policies approved by the Board of Trustees. The policies provide financial objectives, asset mix and permitted investment guidelines for each investment account type. The Foundation invests primarily in pooled funds managed by external investment managers.

The nature and fair value of the underlying investments held within these pooled funds, for each investment account type, are as follows:

	<u>2018</u>	<u>2017</u>
Designated		
Cash and short term deposits	\$ 2,722,789	\$ 2,460,411
Bonds and debentures	9,025,917	8,066,218
Equities	6,092,387	6,733,320
	<u>17,841,093</u>	<u>17,259,949</u>
Endowment		
Cash and short term deposits	1,838,831	1,272,888
Bonds and debentures	11,709,776	13,093,680
Equities	19,192,045	15,956,289
	<u>32,740,652</u>	<u>30,322,857</u>
	<u>\$ 50,581,745</u>	<u>\$ 47,582,806</u>

Investment Manager quarterly management fees are paid in accordance with Investment Management Agreements. The quarterly fees are calculated using a decreasing sliding scale percentage (0.75% - 0.20%) based on market value. In 2018, the total investment management fees paid were \$357,656 (2017 - \$326,639).

5. Capital assets

			<u>2018</u>	<u>2017</u>
	Cost	Accumulated amortization	<u>Net book value</u>	Net book value
Leasehold improvements	\$ 279,850	\$ 49,231	\$ 230,619	\$ 245,849
Office equipment and furniture	202,248	106,054	96,194	120,696
Computer equipment	182,906	143,052	39,854	37,630
	<u>\$ 665,004</u>	<u>\$ 298,337</u>	<u>\$ 366,667</u>	<u>\$ 404,175</u>

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2018

6. Special events

	Gifts in kind	Cash	2018	2017
Revenue				
Ride for Cancer	\$ 51,050	\$ 800,620	\$ 851,670	\$ 678,409
Community Initiatives	6,000	449,323	455,323	406,893
Heart Heroes	-	-	-	131,120
	<u>57,050</u>	<u>1,249,943</u>	<u>1,306,993</u>	<u>1,216,422</u>
Expenses				
Ride for Cancer	51,050	217,707	268,757	276,631
Community Initiatives	6,000	64,576	70,576	102,454
Heart Heroes	-	-	-	72,492
General	-	178,674	178,674	160,004
	<u>57,050</u>	<u>460,957</u>	<u>518,007</u>	<u>611,581</u>
Excess of revenue over expenses from Special events	\$ -	\$ 788,986	\$ 788,986	\$ 604,841

7. Gaming

	2018	2017
Revenue		
Home Lottery	\$ 17,478,163	\$ 18,026,555
Workin' To Win	130,450	110,360
	<u>17,608,613</u>	<u>18,136,915</u>
Expenses		
Home Lottery	11,627,810	11,639,840
Workin' To Win	53,108	54,608
Gaming Administration	4,390	2,989
	<u>11,685,308</u>	<u>11,697,437</u>
Excess of revenue over expenses from gaming	\$ 5,923,305	\$ 6,439,478

8. Investments

	2018	2017
Revenue	\$ 2,447,438	\$ 4,007,385
Expenses	357,656	326,639
	<u>\$ 2,089,782</u>	<u>\$ 3,680,746</u>

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2018

9. Fund disbursements

The following significant items were included as disbursements from the various funds.

	<u>2018</u>	<u>2017</u>
Undesignated Fund		
Atlantic Canada Clinical Research Unit (ACCRU)	\$ 187,500	112,500
Neurosurgery Microscope	112,208	-
Pyxis Units	62,376	2,053,628
Canadian Cancer Society - Pancreatic Research	50,000	-
Dalhousie University - Support Research Training	50,000	-
Cystoscopy Table	-	-
Anesthesia Monitoring System	-	864,145
Linear Accelerators	-	621,715
Translating Research into Care	-	322,000
Operating Room Equipment	-	209,871
Orthopedic Surgical Tools	-	183,993
Cardiac Monitoring and Cardio Lab Equipment	-	106,274
High Resolution Ultrasound	-	77,939
Digital Mobile C-Arm	-	64,094
Sterilizers	-	36,180
Other disbursements	77,128	356,127
	<u>539,212</u>	<u>5,008,466</u>
Designated Fund		
Maritime Heart Centre - Catherization Lab	\$ 2,000,000	-
IWK - Phase 2 Breast Health Centre	888,429	-
Academic Neurosciences Project	383,805	1,777,385
Ride for Cancer - Leukemia and Lymphoma Society	278,750	272,639
Revitalizing Rehab - Assisted Living Suites	254,887	-
Clinical Preoperative Equipment	246,102	169,515
Pathology Research - PDL Testing	226,996	-
Ride for Cancer - Endobronchial System & Patient Treatment Area	192,773	-
Rehabilitation Pool	185,618	1,015,070
Fibromyalgia Research Grant	175,000	-
Ambulatory Care Clinics	166,964	-
Breast Cancer Research	150,000	300,000
Mental Health (Staying Connected)	143,623	-
Electrophysiology Laboratory	130,000	200,375
Recipe for Health Project	100,000	-
Ophthalmology Research Grant	97,500	-
Simulation Learning Centre	93,104	-
Urology Research Development	85,000	-
Non-Invasive Robotic Surgery - Stealth Planning Station	61,530	-
Molecular Profiling of Tumours Research	51,000	-
Radiation Wait Times Project	-	206,430
Jordan Boyd Celebrity Challenge	-	130,000
Geriatric Medicine Research	-	71,957
Other disbursements	1,423,655	2,663,988
	<u>7,334,736</u>	<u>6,807,359</u>
Endowment Fund		
	<u>757,907</u>	<u>861,976</u>
	<u>\$ 8,631,855</u>	<u>\$ 12,677,801</u>

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2018

10. Interfund transfers

During the year, funds were transferred between the Undesignated, Designated, and Endowment Funds as follows:

	<u>Endowment</u>	<u>Designated</u>	<u>Undesignated</u>
Endowed Chairs Capital	\$ 1,300,000	-	(\$ 1,300,000)
Simulation-Based Learning Centre	-	1,250,000	(1,250,000)
Hybrid Interventional OR	-	400,000	(400,000)
Cancer Therapy Preparation Lab	-	250,000	(250,000)
Other Transfers	25,262	327,039	(352,301)
Total interfund transfers	\$ 1,325,262	\$ 2,227,039	(\$ 3,552,301)

Interfund transfers for the 2018 fiscal year consisted of attributions from the Undesignated Fund to various campaigns in the Designated and Endowment Funds as approved by the Board of Trustees.

11. Employee pension plan benefits

The Foundation has an RRSP matching agreement with select employees employed prior to March 1, 2007. The Foundation will match an employee's RRSP contribution up to a maximum of 5% of the employee's salary.

The Foundation is a member of a multi-employer defined benefit pension plan administered by Health Association Nova Scotia ("HANS"). The most recent actuarial valuation was conducted on July 1, 2014 for the March 31, 2014 year end and indicated a funding ratio of 101%. Existing employees that are enrolled in the RRSP matching agreement can choose to join the Nova Scotia Health Employees Pension Plan ("NSHEPP") or stay with the original Plan. New employees, after March 1, 2007, must join the NSHEPP.

During 2002, the Foundation established an unfunded Supplemental Pension Plan arrangement also administered by HANS, covering certain of its senior management employees. The benefits are based on years of service and final average salary. The most recent actuarial valuation for funding purposes on this plan was conducted on April 13, 2017 for the March 31, 2018 year end.

The total cost for these plans recognized in the current year is \$284,251 (2016 - \$239,531).

The funded status of the Supplemental Pension Plan is as follows:

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation and liability	\$ 638,704	\$ 578,005

The Foundation has sufficient undesignated net assets to meet the current obligations of the Supplemental Pension Plan.

Queen Elizabeth II Health Sciences Centre Foundation

Notes to the financial statements

March 31, 2018

12. Commitments

The Foundation leases office space under an operating lease which expires on April 30, 2026. The minimum lease commitments relating to this for the next five years are as follows:

2019	\$ 151,772
2020	151,772
2021	151,772
2022	151,772
2023	151,772

The Foundation issues non-binding multi-year commitments to the QEII Health Sciences Centre (Nova Scotia Health Authority) to support the purchase of equipment and technology, improve patient care and support and fund research and education initiatives. The total of these commitments at March 31, 2018 is \$4,998,943 (2017 - \$4,353,766).

13. Comparative figures

Certain comparative figures for the March 31, 2017 period have been reclassified from those previously presented to conform to the financial statement presentation adopted for 2018.

About the QEII Foundation

The QEII Foundation inspires generosity to advance health care at the QEII Health Sciences Centre. With financial support from all levels of the community, the QEII Foundation helps fund new technologies, medical research, innovation and professional education that contribute to life-changing moments experienced every day by patients and their loved ones. By working together with people who share a vision of better health, the Foundation strengthens care delivered at the QEII, improving the health and lives of Atlantic Canadians.

