

Northumberland Hills Hospital Foundation
Financial Statements
For the year ended March 31, 2016

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Independent Auditor's Report

To the Members of Northumberland Hills Hospital Foundation

We have audited the accompanying financial statements of Northumberland Hills Hospital Foundation, which comprise the statement of financial position as at March 31, 2016, and the statements of changes in net assets, operations 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 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 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Northumberland Hills Hospital Foundation derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenues over expenses and cash flows from operations for the years ended March 31, 2016 and 2015, current assets as at March 31, 2016 and 2015, and net assets as at April 1 and March 31 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended March 31, 2015 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 financial statements present fairly, in all material respects, the financial position of Northumberland Hills Hospital Foundation as at March 31, 2016 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.

Chartered Professional Accountants, Licensed Public Accountants

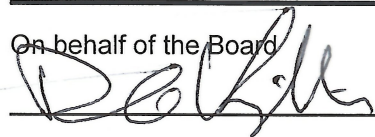
Cobourg, Ontario
June 17, 2016

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**Northumberland Hills Hospital Foundation
Statement of Financial Position**

March 31	General Fund	Overhead Reserve Fund	Endowment Fund	Future Equipment Reserve Fund	2016	2015
Assets						
Current						
Cash	\$ 133,662	\$ -	\$ -	\$ -	\$ 133,662	\$ 88,166
HST receivable	15,580	-	-	-	15,580	13,671
	<u>149,242</u>	-	-	-	<u>149,242</u>	<u>101,837</u>
Investments (Note 2)	<u>2,552,301</u>	<u>417,963</u>	<u>3,622,808</u>	<u>805,705</u>	<u>7,398,777</u>	<u>6,139,186</u>
	<u>\$ 2,701,543</u>	<u>\$ 417,963</u>	<u>\$ 3,622,808</u>	<u>\$ 805,705</u>	<u>\$ 7,548,019</u>	<u>\$ 6,241,023</u>
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued liabilities	\$ 36,398	\$ -	\$ -	\$ -	\$ 36,398	\$ 36,947
Accounts payable - NHH equipment purchases	181,610	-	-	-	181,610	1,627,318
Deferred revenue	10,000	-	-	-	10,000	20,000
	<u>228,008</u>	-	-	-	<u>228,008</u>	<u>1,684,265</u>
Net Assets						
Restricted	-	-	3,267,333	-	3,267,333	3,135,094
Internally restricted	-	417,963	355,475	805,705	1,579,143	1,199,018
Unrestricted	<u>2,473,535</u>	-	-	-	<u>2,473,535</u>	<u>222,646</u>
	<u>2,473,535</u>	<u>417,963</u>	<u>3,622,808</u>	<u>805,705</u>	<u>7,320,011</u>	<u>4,556,758</u>
	<u>\$ 2,701,543</u>	<u>\$ 417,963</u>	<u>\$ 3,622,808</u>	<u>\$ 805,705</u>	<u>\$ 7,548,019</u>	<u>\$ 6,241,023</u>

On behalf of the Board



Director



Director

Northumberland Hills Hospital Foundation
Statement of Changes in Net Assets

For the year ended March 31

2016

2015

	General Fund	Overhead Reserve Fund	Endowment Fund	Future Equipment Reserve Fund	Total	Total
Balance, beginning of year	\$ 222,646	\$ 407,542	\$ 3,506,312	\$ 420,258	\$ 4,556,758	\$ 4,411,261
Excess (deficiency) of revenues over expenses	2,514,124	10,421	253,261	(14,553)	2,763,253	145,497
	2,736,770	417,963	3,759,573	405,705	7,320,011	4,556,758
Interfund transfers						
Internal commitment	(271,235)	-	(128,765)	400,000	-	-
Administration fee	8,000	-	(8,000)	-	-	-
Balance, end of year	\$ 2,473,535	\$ 417,963	\$ 3,622,808	\$ 805,705	\$ 7,320,011	\$ 4,556,758

Northumberland Hills Hospital Foundation Statement of Revenues and Expenses

For the year ended March 31

					2016			2015			2014
	General Fund	Overhead Reserve Fund	Endowment Fund	Future Equipment Reserve Fund	Total			Total			Total
Revenues											
Donations	\$ 3,036,409	\$ -	\$ -	\$ -	\$ 3,036,409	\$	1,059,751	\$	632,080		
Caring for Generations/Business partners	178,344	-	-	-	178,344		185,426		156,487		
Signature events	574,926	-	-	-	574,926		556,530		493,711		
Third party events	63,466	-	-	-	63,466		66,182		66,534		
In Memoriam donations/Commemorative giving	120,247	-	-	-	120,247		107,718		134,717		
Planned giving	11,436	-	1,271	-	12,707		109,218		25,700		
Pledge redemptions - Care Close to Home	5,414	-	-	-	5,414		-		16,390		
Endowment donations	-	-	321,937	-	321,937		230,048		336,813		
Investment income	23,093	17,775	148,063	16,853	205,784		144,210		139,649		
Foreign exchange gain	-	-	-	-	-		-		14		
Gain (loss) on sale of investments	-	-	(127,762)	(15,740)	(143,502)		611,100		(6,292)		
Gain (loss) on sale of donated shares	(3,860)	-	-	-	(3,860)		(5,777)		(8,042)		
Increase (decrease) in unrealized gain on investments	(7,579)	(7,354)	(47,776)	(15,666)	(78,375)		(408,843)		257,572		
	4,001,896	10,421	295,733	(14,553)	4,293,497		2,655,563		2,245,333		
Expenses											
Advertising and creative	1,139	-	-	-	1,139		1,460		7,509		
Bank charges and administration fees	10,709	-	42,472	-	53,181		21,922		23,010		
Board/staff development and travel	6,298	-	-	-	6,298		3,140		5,573		
Computer supplies and software	6,638	-	-	-	6,638		5,157		4,865		
Fundraising	135,388	-	-	-	135,388		169,938		158,484		
Hospital services chargeback	6,236	-	-	-	6,236		6,372		6,177		
Mailings and postage	15,507	-	-	-	15,507		13,066		12,094		
Memberships	1,914	-	-	-	1,914		1,869		3,357		
Office and miscellaneous	8,483	-	-	-	8,483		7,409		11,896		
Printing and newsletter	8,476	-	-	-	8,476		8,542		7,618		
Professional and contract services	39,471	-	-	-	39,471		18,585		25,727		
Salaries and benefits	296,073	-	-	-	296,073		327,694		317,148		
Stewardship	12,538	-	-	-	12,538		27,378		11,219		
	548,870	-	42,472	-	591,342		612,532		594,677		
Excess (deficiency) of revenues over expenses before distributions to Northumberland Hills Hospital	3,453,026	10,421	253,261	(14,553)	3,702,155		2,043,031		1,650,656		
Donations and distributions to Hospital	938,902	-	-	-	938,902		1,897,534		2,430,328		
Excess (deficiency) of revenues over expenses	\$ 2,514,124	\$ 10,421	\$ 253,261	\$ (14,553)	\$ 2,763,253	\$	145,497	\$	(779,672)		

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

Northumberland Hills Hospital Foundation Statement of Cash Flows

For the year ended March 31

2016

2015

	General Fund	Overhead Reserve Fund	Endowment Fund	Future Equipment Reserve Fund	Total	Total
Cash flows from operating activities						
Excess (deficiency) of revenues over expenses	\$ 2,514,124	\$ 10,421	\$ 253,261	\$ (14,553)	\$ 2,763,253	\$ 145,497
Items not involving cash						
Interfund transfers	(263,235)	-	(136,765)	400,000	-	-
	2,250,889	10,421	116,496	385,447	2,763,253	145,497
Changes in non-cash working capital balances						
HST receivable	(1,909)	-	-	-	(1,909)	(2,362)
Prepaid expenses	-	-	-	-	-	4,000
Accounts payable and accrued liabilities	(549)	-	-	-	(549)	(9,517)
Accounts payable - NHH equipment purchases	(1,445,708)	-	-	-	(1,445,708)	331,315
Deferred revenue	(10,000)	-	-	-	(10,000)	(10,000)
	792,723	10,421	116,496	385,447	1,305,087	458,933
Cash flows from investing activities						
Decrease (increase) in investments	(747,227)	(10,421)	(116,496)	(385,447)	(1,259,591)	(452,176)
Increase (decrease) in cash during the year	45,496	-	-	-	45,496	6,757
Cash and equivalents, beginning of year	88,166	-	-	-	88,166	81,409
Cash and equivalents, end of year	\$ 133,662	\$ -	\$ -	\$ -	\$ 133,662	\$ 88,166

Northumberland Hills Hospital Foundation

Notes to Financial Statements

March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of Organization

Northumberland Hills Hospital Foundation ("the Foundation") is incorporated without share capital under the Corporations Act, Ontario and is a charitable organization whose purpose is to raise funds for the Hospital and health care. The mission of the Foundation is to improve health care and the quality of life in our communities by growing and maintaining donor support for key hospital capital needs.

The Foundation is a registered charity, and accordingly is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of goods or services received and the creation of a legal obligation to pay.

Fund Accounting

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

The General Fund represents all ongoing fundraising activities and supports other board approved programs. This fund is also known as the core activities account. The objective of the fund is to distribute up to 80% of the current year's undesignated net operating cash flow. Net operating cash flow represents total fundraising revenues less total administrative and program expenses, less designated gifts, and less 10% of the full amount of unrestricted bequests transferred to the endowment fund. Funds are disbursed upon request from the hospital for approved capital items and/or program expenses.

The Overhead Reserve Fund relates to an internally restricted fund balance with the objective to maintain a balance equal to the core activities expense budget for the next fiscal year. There are no deposits, withdrawals or transfers from this fund unless authorized by a board resolution.

The Endowment Fund consists of General and Named Endowments.

General Endowments are internally restricted and reflect 10% of the amount of general bequests received by the Foundation and unnamed endowments, to be held and invested permanently. Investment income on General Endowments is accumulated and will be disbursed annually to finance hospital capital requirements as approved by the Foundation Board and in accordance with Canada Revenue Agency requirements.

Named Endowments reflect externally restricted donation contributions, with a minimum donation amount of \$25,000, the proceeds of which are to be invested and held permanently by the Foundation, and subject to individual endowment agreements entered into by the specific donor and the Foundation. The investment income will be accumulated in the fund. Disbursements of income from the fund shall be in accordance with the terms of the specific endowment and Canada Revenue Agency requirements.

Northumberland Hills Hospital Foundation

Notes to Financial Statements

March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Fund accounting	The Future Equipment Reserve Fund represents 20% of the annual net operating cash flow (to an annual maximum of \$200,000) plus investment yield. The Foundation began the Equipped to Care Program and the Foundation board committed \$1,000,000 of the fund to the program. The objective of the fund is to grow to \$1 million at which time the appropriateness of continuing to build the fund will be reviewed. In addition, this fund will include monies designated for special projects approved by the Foundation board.
Revenue Recognition	Externally restricted contributions (grants and donations) are recognized in the fund corresponding to the purpose for which they are contributed. Unrestricted contributions are recognized as revenue in the General Fund. Investment income includes dividend and interest income, realized investment gains and losses on sales of investments, and unrealized gains and losses on investments measured at fair value.
Recognition of Pledges	Due to the uncertainty surrounding the collectibility of pledges, the organization does not recognize pledges until received, as they are not considered legal obligations.
Contributed Services	The Foundation would not be able to carry out its activities without the services of many volunteers who donate a considerable number of hours. Because of the difficulty of compiling these hours, contributed services are not recognized in the financial statements. The value of donated gifts-in-kind have not been reflected in the records as their monetary value cannot be ascertained.
Use of Estimates	The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these financial statements include, but are not limited to, accounts payable and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.
Investments	Investments are recorded at fair value. Fair values of the investments are determined by reference to published price quotations provided by the organization's investment broker. Realized gains and losses on the sale of investments are determined on a completed transaction basis.
Financial Instruments	The organization's financial assets consisting of HST receivable are recorded at fair value when acquired or issued. In subsequent periods they are reported at cost or amortized cost, less impairment, if applicable.
Cash and equivalents	Cash and cash equivalents consists of cash on hand and balances in bank accounts.

Northumberland Hills Hospital Foundation Notes to Financial Statements

March 31, 2016

2. Investments

	2016		2015	
	Cost	Accumulated Unrealized Gains (losses)	Market Value	Market Value
General Fund				
Cash	\$ 422,393	\$ -	\$ 422,393	\$ 30,860
Fixed income and accrued interest	2,115,002	14,906	2,129,908	1,774,214
Total general fund	2,537,395	14,906	2,552,301	1,805,074
Overhead Reserve				
Cash	-	-	-	6,073
Fixed income	389,141	28,822	417,963	401,469
Total overhead reserve	389,141	28,822	417,963	407,542
Endowments				
Cash	97,367	-	97,367	81,587
Fixed income	1,732,670	(90,924)	1,641,746	1,599,959
Market-indexed equities	809,595	92,004	901,599	863,982
U.S. Market-indexed equities	948,855	33,241	982,096	960,784
Total endowments	3,588,487	34,321	3,622,808	3,506,312
Future Equipment Reserve Fund				
Cash	215,845	-	215,845	84,122
Fixed income	377,524	(25,451)	352,073	165,450
Market-indexed equities	114,821	(3,816)	111,005	85,711
U.S. Market-indexed equities	79,842	46,940	126,782	84,975
Total future equipment reserve fund	788,032	17,673	805,705	420,258
Total investments	\$ 7,303,055	\$ 95,722	\$ 7,398,777	\$ 6,139,186

The fixed income investments are comprised of guaranteed term deposits, government and corporate bonds and bankers acceptance notes. The various fixed income investments contain effective interest rates ranging from 0.70% to 6.93% and mature with dates ranging from June 2016 to December 2105.

Northumberland Hills Hospital Foundation Notes to Financial Statements

March 31, 2016

3. Related Party Transactions

During the year, the Foundation paid \$296,073 to the Northumberland Hills Hospital for personnel costs and benefits on a cost-recovery basis (2015 - \$327,694).

During the year, the Foundation paid \$6,236 to the Northumberland Hills Hospital for hospital service chargebacks (2015 - \$6,372).

Distributions of \$938,902 (2015 - \$1,897,534) were all made to the Northumberland Hills Hospital.

The year-end accounts payable and accrued liabilities include the following amounts owed to Northumberland Hills Hospital:

	<u>2016</u>	<u>2015</u>
Personnel costs and benefits	\$ 25,898	\$ 26,447
Distributions	<u>181,610</u>	<u>1,627,318</u>
	<u>\$ 207,508</u>	<u>\$ 1,653,765</u>

These transactions are in the normal course of operations and are measured at the exchange value which represents the amount of consideration established and agreed to by the parties.

4. Pledges

The Foundation defines a pledge as a commitment in writing with due dates extending beyond 12 months from the date the pledge is made. Pledges receivable are not reflected in the statement of financial position since they are not considered legal obligations.

The Foundation has pledges receivable of \$388,317 for the Equipped to Care Program.

5. Commitments

The Foundation entered into an agreement to support key elements of the Northumberland Hills Hospital's Gerontology Program for a total cost of approximately \$498,700. As at March 31, 2016, approximately \$269,547 of costs have been incurred and related distributions made to the Northumberland Hills Hospital.

Northumberland Hills Hospital Foundation Notes to Financial Statements

March 31, 2016

6. Financial Instrument Risks

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Foundation's bank accounts are held at a major financial institution and the investments are held primarily with one major investment broker.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income investments, which represent approximately 61% of the fair market value of the investments disclosed in Note 2 to these financial statements.

Currency Rate Risk

Currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Foundation is exposed to currency rate risk through its holdings in US market-indexed equities, which represent approximately 15% of the fair market value of the investments, as disclosed in Note 2 to these financial statements.

Market Risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk. The Foundation is exposed to market risk on its investments through fluctuations in the bond and equity markets and these investments are not guaranteed. To manage these risks, the Foundation uses independent investment advisors and has developed an investment policy guideline to reduce risk. The Foundation receives monthly statements and meets on a quarterly and yearly basis with investment counsel.
