

**Northumberland Hills Hospital Foundation**  
**Financial Statements**  
For the year ended March 31, 2015

**Contents**

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## Independent Auditor's Report

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### 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, 2015, 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, 2015 and 2014, current assets as at March 31, 2015 and 2014, and net assets as at April 1 and March 31 for both the 2015 and 2014 years.

#### 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, 2015 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.

#### Other Matters

The financial statements of Northumberland Hills Hospital Foundation for the year ended March 31, 2014 were audited by another auditor who expressed a qualified opinion in their report on June 18, 2014.

Chartered Professional Accountants, Licensed Public Accountants

Cobourg, Ontario

June 18, 2015

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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

March 31	General Fund	Overhead Reserve Fund	Endowment Fund	Future Equipment Reserve Fund	2015	2014
<b>Assets</b>						
<b>Current</b>						
Cash	\$ 88,166	\$ -	\$ -	\$ -	\$ 88,166	\$ 81,409
HST receivable	13,671	-	-	-	13,671	11,309
Prepaid deposits	-	-	-	-	-	4,000
	<u>101,837</u>	-	-	-	<u>101,837</u>	96,718
<b>Investments (Note 2)</b>	<u>1,805,074</u>	<u>407,542</u>	<u>3,506,312</u>	<u>420,258</u>	<u>6,139,186</u>	<u>5,687,010</u>
	<u>\$ 1,906,911</u>	<u>\$ 407,542</u>	<u>\$ 3,506,312</u>	<u>\$ 420,258</u>	<u>\$ 6,241,023</u>	<u>\$ 5,783,728</u>
<b>Liabilities and Net Assets</b>						
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 1,664,265	\$ -	\$ -	\$ -	\$ 1,664,265	\$ 1,342,467
Deferred revenue	20,000	-	-	-	20,000	30,000
	<u>1,684,265</u>	-	-	-	<u>1,684,265</u>	1,372,467
<b>Net Assets</b>						
Restricted	-	-	3,135,094	-	3,135,094	2,846,235
Internally restricted	-	407,542	371,218	420,258	1,199,018	1,949,970
Unrestricted	222,646	-	-	-	222,646	(384,944)
	<u>222,646</u>	<u>407,542</u>	<u>3,506,312</u>	<u>420,258</u>	<u>4,556,758</u>	<u>4,411,261</u>
	<u>\$ 1,906,911</u>	<u>\$ 407,542</u>	<u>\$ 3,506,312</u>	<u>\$ 420,258</u>	<u>\$ 6,241,023</u>	<u>\$ 5,783,728</u>

On behalf of the Board

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**Northumberland Hills Hospital Foundation**  
**Statement of Changes in Net Assets**

For the year ended March 31

2015

2014

	General Fund	Overhead Reserve Fund	Endowment Fund	Future Equipment Reserve Fund	Total	Total
<b>Balance (deficiency), beginning of year</b>	\$ (384,944)	\$ 385,920	\$ 3,211,482	\$ 1,198,803	\$ 4,411,261	\$ 5,190,933
<b>Excess (deficiency) of revenues over expenses</b>	(386,951)	(1,838)	533,852	434	145,497	(779,672)
	(771,895)	384,082	3,745,334	1,199,237	4,556,758	4,411,261
<b>Interfund transfers</b>						
Internal commitment	987,441	23,460	(231,922)	(778,979)	-	-
Administration fee	7,100	-	(7,100)	-	-	-
<b>Balance, end of year</b>	\$ 222,646	\$ 407,542	\$ 3,506,312	\$ 420,258	\$ 4,556,758	\$ 4,411,261

## Northumberland Hills Hospital Foundation Statement of Revenues and Expenses

For the year ended March 31

2015

2014

	General Fund	Overhead Reserve Fund	Endowment Fund	Future Equipment Reserve Fund	Total	Total
<b>Revenues</b>						
Donations	\$ 1,059,751	\$ -	\$ -	\$ -	\$ 1,059,751	\$ 632,080
Caring for Generations/Business partners	185,426	-	-	-	185,426	156,487
Signature events	556,530	-	-	-	556,530	493,711
Third party events	66,182	-	-	-	66,182	66,534
In Memoriam donations/Commemorative giving	107,718	-	-	-	107,718	134,717
Planned giving	98,296	-	10,922	-	109,218	25,700
Pledge redemptions - Caring Close to Home	-	-	-	-	-	16,390
Endowment donations	-	-	230,048	-	230,048	336,813
Investment income	17,237	10,667	94,519	21,787	144,210	139,649
Foreign exchange gain	-	-	-	-	-	14
Gain (loss) on sale of investments	-	-	611,100	-	611,100	(6,292)
Gain (loss) on sale of donated shares	(5,777)	-	-	-	(5,777)	(8,042)
Increase (decrease) in unrealized gain on investments	26,233	(12,505)	(401,218)	(21,353)	(408,843)	257,572
	<b>2,111,596</b>	<b>(1,838)</b>	<b>545,371</b>	<b>434</b>	<b>2,655,563</b>	<b>2,245,333</b>
<b>Expenses</b>						
Advertising and creative	1,460	-	-	-	1,460	7,509
Bank charges and administration fees	10,403	-	11,519	-	21,922	23,010
Board/staff development and travel	3,140	-	-	-	3,140	5,573
Computer supplies and software	5,157	-	-	-	5,157	4,865
Fundraising	169,938	-	-	-	169,938	158,484
Hospital services chargeback	6,372	-	-	-	6,372	6,177
Mailings and postage	13,066	-	-	-	13,066	12,094
Memberships	1,869	-	-	-	1,869	3,357
Office and miscellaneous	7,409	-	-	-	7,409	11,896
Printing and newsletter	8,542	-	-	-	8,542	7,618
Professional and contract services	18,585	-	-	-	18,585	25,727
Salaries and benefits	327,694	-	-	-	327,694	317,148
Stewardship	27,378	-	-	-	27,378	11,219
Distributions to Northumberland Hills Hospital	1,897,534	-	-	-	1,897,534	2,430,328
	<b>2,498,547</b>	<b>-</b>	<b>11,519</b>	<b>-</b>	<b>2,510,066</b>	<b>3,025,005</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (386,951)</b>	<b>\$ (1,838)</b>	<b>\$ 533,852</b>	<b>\$ 434</b>	<b>\$ 145,497</b>	<b>\$ (779,672)</b>

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

2015

2014

	General Fund	Overhead Reserve Fund	Endowment Fund	Future Equipment Reserve Fund	Total	Total
<b>Cash flows from operating activities</b>						
Excess (deficiency) of revenues over expenses	\$ (386,951)	\$ (1,838)	\$ 533,852	\$ 434	\$ 145,497	\$ (779,672)
Items not involving cash						
Interfund transfers	994,541	23,460	(239,022)	(778,979)	-	-
	607,590	21,622	294,830	(778,545)	145,497	(779,672)
Changes in non-cash working capital balances						
HST receivable	(2,362)	-	-	-	(2,362)	(4,000)
Prepaid expenses	4,000	-	-	-	4,000	(4,000)
Accounts payable and accrued liabilities	321,798	-	-	-	321,798	846,640
Deferred revenue	(10,000)	-	-	-	(10,000)	16,667
	921,026	21,622	294,830	(778,545)	458,933	75,635
<b>Cash flows from investing activities</b>						
Decrease (increase) in investments	(914,269)	(21,622)	(294,830)	778,545	(452,176)	(1,708)
<b>Increase (decrease) in cash during the year</b>	6,757	-	-	-	6,757	73,927
<b>Cash and equivalents, beginning of year</b>	81,409	-	-	-	81,409	7,482
<b>Cash and equivalents, end of year</b>	\$ 88,166	\$ -	\$ -	\$ -	\$ 88,166	\$ 81,409

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# Northumberland Hills Hospital Foundation

## Notes to Financial Statements

March 31, 2015

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### 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.

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# Northumberland Hills Hospital Foundation

## Notes to Financial Statements

March 31, 2015

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

<b>Fund accounting</b>	The Future Equipment Reserve Fund represents 20% of the annual net operating cash flow plus investment yield. The Foundation began the Equipped to Care Campaign and the Foundation board committed \$1,000,000 of the fund to the campaign. 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.
<b>Revenue Recognition</b>	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.
<b>Recognition of Pledges</b>	Due to the uncertainty surrounding the collectibility of pledges, the organization does not recognize pledges until received, as they are not considered legal obligations.
<b>Contributed Services</b>	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.
<b>Use of Estimates</b>	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.
<b>Investments</b>	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.
<b>Financial Instruments</b>	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.
<b>Cash and equivalents</b>	Cash and cash equivalents consists of cash on hand and balances in bank accounts.

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## Northumberland Hills Hospital Foundation Notes to Financial Statements

**March 31, 2015**

### 2. Investments

	2015		2014	
	Cost	Accumulated Unrealized Gains (losses)	Market Value	Market Value
<b>General Fund</b>				
Cash	\$ 30,860	\$ -	\$ 30,860	\$ 4,870
Fixed income and accrued interest	1,751,729	22,485	1,774,214	-
High interest savings mutual funds	-	-	-	885,935
<b>Total general fund</b>	<b>1,782,589</b>	<b>22,485</b>	<b>1,805,074</b>	<b>890,805</b>
<b>Overhead Reserve</b>				
Cash	6,073	-	6,073	3,019
Fixed income	365,293	36,176	401,469	243,946
Market-indexed equities	-	-	-	138,955
<b>Total overhead reserve</b>	<b>371,366</b>	<b>36,176</b>	<b>407,542</b>	<b>385,920</b>
<b>Endowments</b>				
Cash	81,587	-	81,587	38,233
Fixed income	1,605,867	(5,908)	1,599,959	1,390,646
Market-indexed equities	802,320	61,662	863,982	1,190,484
U.S. Market-indexed equities	934,441	26,343	960,784	592,119
<b>Total endowments</b>	<b>3,424,215</b>	<b>82,097</b>	<b>3,506,312</b>	<b>3,211,482</b>
<b>Future Equipment Reserve Fund</b>				
Cash	84,122	-	84,122	6,243
Fixed income	186,173	(20,723)	165,450	806,159
Market-indexed equities	76,976	8,735	85,711	319,241
U.S. Market-indexed equities	39,648	45,327	84,975	67,160
<b>Total future equipment reserve fund</b>	<b>386,919</b>	<b>33,339</b>	<b>420,258</b>	<b>1,198,803</b>
<b>Total investments</b>	<b>\$ 5,965,089</b>	<b>\$ 174,097</b>	<b>\$ 6,139,186</b>	<b>\$ 5,687,010</b>

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 2.30% to 6.93% and mature with dates ranging from October 2015 to June 2032.

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## Northumberland Hills Hospital Foundation Notes to Financial Statements

**March 31, 2015**

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### 3. Related Party Transactions

During the year, the Foundation paid \$327,694 to the Northumberland Hills Hospital for personnel costs and benefits on a cost-recovery basis (2014 - \$316,694).

During the year, the Foundation paid \$6,372 to the Northumberland Hills Hospital for hospital service chargebacks (2014 - \$6,177).

Distributions of \$1,897,534 (2014 - \$2,430,328) 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>2015</u>	<u>2014</u>
Personnel costs and benefits	\$ 26,447	\$ 27,399
Distributions	<u>1,627,318</u>	<u>1,296,003</u>
	<u>\$ 1,653,765</u>	<u>\$ 1,323,402</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.

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### 4. Pledges

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

The Foundation has pledges receivable of \$866,394 for the Equipped to Care Campaign.

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### 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, 2015, approximately \$269,547 of costs have been incurred and related distributions made to the Northumberland Hills Hospital.

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# Northumberland Hills Hospital Foundation

## Notes to Financial Statements

March 31, 2015

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### 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 64% 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 17% 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.

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