
Financial statements of
Peterborough Regional Health
Centre Foundation

March 31, 2018

Independent Auditor's Report	1-2
Statement of operations and changes in fund balances	3
Statement of financial position	4
Statement of cash flows	5
Notes to the financial statements	6-11

Independent Auditor's Report

To the Board of Directors of the Peterborough Regional Health Centre Foundation

We have audited the accompanying financial statements of the Peterborough Regional Health Centre Foundation, which comprise the statement of financial position as at March 31, 2018 and the statements of operations 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 of these financial statements in accordance with Canadian generally accepted 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 auditors' 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 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 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenues from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenue from fundraising events, community gift campaign, and donations revenue, excess of expenses over revenue, and cash flows from operations for the years ended March 31, 2018 and March 31, 2017, current assets as at March 31, 2018 and March 31, 2017, and fund balances as at March 31, and April 1, for both years. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly, because of the possible effects of this scope limitation.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Peterborough Regional Health 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 generally accepted accounting standards for not-for-profit organizations.

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants
Licensed Public Accountants
June 12, 2018

Peterborough Regional Health Centre Foundation
Statement of operations and changes in fund balances

Year ended March 31, 2018

	Notes	Unrestricted Funds		Restricted Funds		Endowment Funds		Total Funds	
		2018	2017	2018	2017	2018	2017	2018	2017
	9 and 10	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Donations and fundraising	8	3,828,628	1,639,076	3,121,353	2,510,863	11,795	72,000	6,961,776	4,221,939
Investment income		106,977	84,065	—	—	84,600	163,226	191,577	247,291
		3,935,605	1,723,141	3,121,353	2,510,863	96,395	235,226	7,153,353	4,469,230
Expenses									
Fundraising	12	257,620	236,563	4,847	7,522	—	—	262,467	244,085
Administrative		139,574	141,751	—	—	—	—	139,574	141,751
Salaries and benefits		920,625	891,207	—	—	—	—	920,625	891,207
		1,317,819	1,269,521	4,847	7,522	—	—	1,322,666	1,277,043
Excess of revenue over expenses before grants		2,617,786	453,620	3,116,506	2,503,341	96,395	235,226	5,830,687	3,192,187
Gifts to Peterborough Regional Health Centre ("PRHC")	6	1,985,388	210,154	4,105,621	1,740,711	20,904	4,500	6,111,913	1,955,365
Excess (deficiency) of revenue over expenses		632,398	243,466	(989,115)	762,630	75,491	230,726	(281,226)	1,236,822
Interfund transfers		(884,231)	41,611	(136,673)	(42,479)	1,020,904	868	—	—
Fund balances, beginning of year		3,520,695	3,235,618	3,172,103	2,451,952	1,763,845	1,532,251	8,456,643	7,219,821
Fund balances, end of year		3,268,862	3,520,695	2,046,315	3,172,103	2,860,240	1,763,845	8,175,417	8,456,643

The accompanying notes are an integral part of this financial statement.

Peterborough Regional Health Centre Foundation

Statement of financial position

As at March 31, 2018

	Notes	2018	2017
		\$	\$
Assets			
Current assets			
Cash		441,060	1,892,708
Accounts receivable		45,358	43,380
Prepaid expenses		21,708	16,826
Inventory		31,954	30,282
		540,080	1,983,196
Investments	3	9,989,280	9,411,580
Investments in insurance policy		31,547	14,276
Other receivables	4	147,916	147,916
Capital assets	5	68,243	71,961
		10,777,066	11,628,929
Liabilities and fund balances			
Current liabilities			
Accounts payable and accrued liabilities	6b	146,522	126,238
Commitments payable to PRHC	6e	2,209,628	2,797,277
		2,356,150	2,923,515
Deferred revenue		172,766	181,038
Other liabilities		72,733	67,733
		2,601,649	3,172,286
Fund balances			
Unrestricted fund		3,268,862	3,520,695
Restricted fund		2,046,315	3,172,103
Endowment funds		2,860,240	1,763,845
		8,175,417	8,456,643
		10,777,066	11,628,929

The accompanying notes are an integral part of this financial statement.

Peterborough Regional Health Centre Foundation**Statement of cash flows**

Year ended March 31, 2018

	2018	2017
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	(281,226)	1,236,822
Amortization of capital assets	7,895	7,900
Changes in non-cash operating working capital items		
Accounts receivable	(1,978)	(1,631)
Inventory	(1,672)	13,423
Prepaid expenses	(4,882)	(5,156)
Accounts payable and accrued liabilities	20,284	(20,089)
Commitments payable to PRHC	(587,649)	(151,687)
Deferred revenue	(8,272)	4,527
Other liabilities	5,000	5,000
	(852,500)	1,089,109
Financing activity		
Purchase of capital assets	(4,177)	(3,768)
Investing activities		
Payment of premiums on donated life insurance policy	(17,271)	(12,272)
Change in investments (net)	(577,700)	(319,721)
	(594,971)	(331,993)
Net inflow of cash	(1,451,648)	753,348
Cash, beginning of year	1,892,708	1,139,360
Cash, end of year	441,060	1,892,708

The accompanying notes are an integral part of this financial statement.

Peterborough Regional Health Centre Foundation

Notes to the financial statements

March 31, 2018

1. Nature of organization

Supporting outstanding patient care has been the purpose, promise and passion of the Peterborough Regional Health Centre Foundation (the "Foundation") for more than 35 years. The Foundation works with our community, broader catchment area, and philanthropic partners to transform patient care at PRHC. The Foundation exists to make sure our dedicated doctors, nurses and staff have the tools they need to hasten identification and treatment of disease, shorten wait times, reduce pain and improve outcomes. The Foundation operates as an independent entity with its own Board of Directors. It raises support from the community and philanthropic partners to fund technology and projects that improve patient care, but are not covered through government funding.

The Foundation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Summary of significant accounting policies

Basis of presentation

The financial statements of the Foundation are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

Fund accounting

The Unrestricted Fund accounts for the Foundation's program delivery and administrative activities. The unrestricted fund also includes general unrestricted revenues used to provide funding to PRHC for general equipment purchases and cover the administrative activities of the Foundation. Investment income earned on these resources is included as revenue in the unrestricted fund.

The restricted funds reflect monies received for specific purposes as specified by the donor. In addition, the Board of Directors of the Foundation may, from time to time, redirect unrestricted funds to specific project initiatives in the restricted funds. Investment income earned on the restricted funds that is not externally restricted is included as revenue of the unrestricted fund.

The Endowment Fund includes those funds where either donor or internal restrictions require that the principal be maintained by the Foundation on a permanent basis.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions whereby funds that have been externally or internally restricted are segregated in separate funds in the financial statements. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended in accordance with the wishes of the donor.

Contributions are recognized as revenue in the appropriate fund in the year when received. Pledges, due to their inherent nature, are not recorded in the financial statements until received. Gift shop and Nevada Lottery sales revenue are recognized immediately upon sale to the customer.

2. Summary of significant accounting policies (continued)

Contributed material and services

Contributed materials and services which are used in the normal course of the Foundation's operations and would otherwise have been purchased are recorded at their fair value at the date of the contribution if fair value can be reasonably estimated.

Volunteers contribute significant hours per year to assist the Foundation in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Gift-in-kind donations

The Foundation raises support through gift-in-kind donations to receive items needed by PRHC or to reduce the cost of fundraising and operations. Gift-in-kind donations are only recognized if the donor provides an appraisal or invoice to support the value. When recorded as a donation an equivalent amount is recorded as an expense or distribution to the respective campaigns.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is generally determined on the first-in, first-out basis.

Capital assets

Purchased capital assets are recorded at cost. Capital assets are amortized using the following annual rates:

Furniture and equipment	10%-20%
Donor display	5%

Pension plan

The Foundation is part of a multi-employer defined benefit pension plan and therefore is accounted for using defined contribution accounting.

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 reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are employee future benefits, the present value of the charitable remainder trust and the useful life of capital assets. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Peterborough Regional Health Centre Foundation

Notes to the financial statements

March 31, 2018

2. Summary of significant accounting policies (continued)

Financial instruments

The Foundation initially recognizes financial instruments at fair value and subsequently measures them at each reporting date, as follows:

<u>Asset/liability</u>	<u>Measurement</u>
Cash	Fair value
Investments	Fair value
Investment in insurance policy	Amortized cost
Accounts receivables	Amortized cost
Other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Commitments payable to PRHC	Amortized cost

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists the asset shall be written down and the resulting impairment loss shall be recognized in the statement of operations for the period.

Transaction costs in respect of financial assets recorded at fair value are expensed as incurred.

Unless otherwise noted, management does not believe the organization is subject to significant credit, liquidity or interest rate risks.

3. Investments

a) Long term investments

	2018	2017
	\$	\$
Bond and bond funds	709,192	509,726
High interest investment savings accounts	6,419,848	7,138,009
Equity funds	2,860,240	1,763,845
	9,989,280	9,411,580

Investments consist of Guaranteed Investment Certificates, Pooled and Mutual funds and Common shares. Guaranteed Investment Certificates are recorded at cost plus accrued interest, which approximates fair value. Investments in Pooled and Mutual Funds are recorded at fair market value, and common shares are recorded at the bid price as of March 31, 2018.

b) Investment in insurance policy

The Foundation is the named owner and beneficiary of a life insurance policy which the Foundation has taken over responsibility for premium payments and is recording these payments as an asset.

Peterborough Regional Health Centre Foundation

Notes to the financial statements

March 31, 2018

4. Other receivable

In 1998, a donor created an irrevocable charitable remainder trust and named the Foundation as one of the beneficiaries. Under the terms of the trust agreement the Foundation will receive an amount upon the death of the donor. At the date of the establishment of the trust this amount was \$160,045. The present value of this amount was recorded as a receivable and as deferred revenue and is being adjusted periodically for changes in interest rates and the donor's life expectancy.

5. Capital assets

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and equipment	22,410	22,105	305	721
Donor display	128,919	60,981	67,938	71,240
	151,329	83,086	68,243	71,961

Amortization expense, not disclosed separately in the statement of operations, is \$7,895 (2017 - \$7,900).

6. Related party transactions

- (a) Ex-Officio Appointments to the Foundation Board of Directors

The Chair of the PRHC Board of Directors (or other designated Board member) serves on the Foundation Board of Directors. The President and CEO of PRHC serves as a Director of the Foundation Board (non-voting).

- (b) As at March 31, 2018 accounts payable and accrued liabilities includes \$81,580 for operating costs (2017 - \$73,438) due to PRHC.
- (c) During the year the Foundation Board of Directors and CEO approved new funding related to expenditures on capital assets, minor equipment and education funding of \$6,263,807 (2017 - \$2,038,527) to PRHC. Gifts to PRHC as reflected on the Statement of Operations and changes in fund balances of \$6,111,913 (2017-\$1,995,365) includes approved funding during the year net of price adjustments to the final settlement of previously approved funding. As new donor-funded equipment and technology arrives onsite at PRHC and educational initiatives are conducted these funds will be distributed to PRHC. During the year the Foundation distributed \$6,686,658 (2017 - \$2,078,685) to PRHC.
- (d) During the year the Foundation reimbursed an amount of \$1,049,491 (2017 - \$1,030,723) to PRHC related to operating expenditures incurred on behalf of the Foundation.
- (e) The balance owing to PRHC related to capital commitments for equipment, technology and patient care was \$2,209,628 as at March 31, 2018 (2017 - \$2,797,277).
- (f) PRHC provides the Foundation with the use of office space and other services at no cost to the Foundation.

Peterborough Regional Health Centre Foundation

Notes to the financial statements

March 31, 2018

7. Pension plan and post-retirement benefits

The Foundation employees are members of the Healthcare of Ontario Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death that provide the highest earnings.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. Each year an independent actuary determines the funding status of the Plan. The most recent actuarial valuation of the Plan as at December 31, 2017 indicates the Plan is fully funded.

Employer contributions made to the Plan during the year by the Foundation are reflected in the statement of operations and amounted to \$63,735 (2017 - \$62,624).

8. Gift shop

Donation and fundraising revenue includes net revenue generated from the Gift Shop operation as follows:

	2018	2017
	\$	\$
Revenue	445,675	404,727
Expenditures	(292,361)	(268,066)
	153,314	136,661

9. Restricted funds

Designated gifts

As at the year end, the Foundation had numerous designated gifts under its control. These funds are established as designated donations are received and collapsed when the funds have been fully expended for their designated purpose.

Internally restricted funds

To assist the Foundation in reaching its fundraising goals, the Board of Directors has directed select unrestricted revenue to the Endowment holdings. In addition, they have created an internally restricted Board Operating Reserve Fund within the Restricted Fund. The purpose of this reserve is to provide an emergency source of funds for operating the Foundation should the need arise.

These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

10. Endowment Fund

The endowment fund represents a pool of funds that are set aside and invested to produce an annual and dependable source of income for specific donor designated purposes, to support annual funding priorities of PRHC or to support the operations of the Foundation. Typically only the investment income, or portion thereof, is distributed annually and the principal is invested in such a way to provide some growth to keep pace with inflation while protecting principal. Income distributions are available for use and any capital gains or market adjustments are maintained in the fund to ensure growth. Endowment funds are generally held in perpetuity, established to support and sustain patient care at PRHC for generations to come.

11. Risk management

Risks arising from financial instruments

Credit risk

The Foundation has cash in a major financial institution in excess of the amount insured by agencies of the federal government.

Interest rate risk

The Foundation manages its investments based on its cash flow needs and with a view to optimizing its interest income.

The Foundation is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and current liabilities.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Foundation has investments in US equities, the value of which fluctuates in part as a result of changes in foreign exchange rates.

Market risk

Market risk arises from the possibility that changes in equity prices will affect the value of investments held by the Foundation. The Foundation endeavors to mitigate this risk by adopting an investment policy which provides appropriate portfolio diversification.

12. Comparative figures

Certain comparative numbers have been reclassified to conform to the current year presentation.