

**OWEN SOUND REGIONAL HOSPITAL
FOUNDATION**

FINANCIAL STATEMENTS

MARCH 31, 2011

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
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Gaviller & Company LLP
— CHARTERED ACCOUNTANTS —

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of **Owen Sound Regional Hospital Foundation**:

Report on the Financial Statements

We have audited the accompanying financial statements of **Owen Sound Regional Hospital Foundation**, which comprise the statement of financial position as at March 31, 2011, and the statement of operations, changes in fund balances and cash flow statement 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 generally accepted accounting principles 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 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 Foundation'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 Foundation'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

Owen Sound Regional Hospital Foundation derives revenue from charitable cash 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. Consequently, we were unable to determine whether any adjustments to revenues, excess of revenue over expenditures, assets, or fund balances were necessary.

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 **Owen Sound Regional Hospital Foundation** as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GAVILLER & COMPANY LLP
LICENSED PUBLIC ACCOUNTANTS
Owen Sound, Ontario
May 16, 2011

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

	General Fund \$	Endowment Fund \$	MRI/PACS Fund \$	2011 \$	2010 \$
ASSETS					
CURRENT:					
Cash	1,435,964	34	2,747	1,438,745	379,962
GST/HST Receivable	11,044	2,529	-	13,573	3,535
	1,447,008	2,563	2,747	1,452,318	383,497
INVESTMENTS: (Note 4)	-	11,088,319	-	11,088,319	10,110,232
PROPERTY AND EQUIPMENT:					
Equipment	-	-	-	-	2,874
Total Assets	1,447,008	11,090,882	2,747	12,540,637	10,496,603

LIABILITIES AND FUND BALANCES

CURRENT:					
Due to Grey Bruce Health Services (Note 3)	49,363	-	-	49,363	62,316
Accounts Payable	46,255	10,610	-	56,865	37,260
	95,618	10,610	-	106,228	99,576
FUND BALANCES:					
Externally Restricted (Note 5)	150,000	-	2,747	152,747	188,325
Internally Restricted (Note 5) (Note 6)	-	11,080,272	-	11,080,272	10,101,674
Internally Restricted (Note 5)	1,148,120	-	-	1,148,120	-
Unrestricted	53,270	-	-	53,270	107,028
	1,351,390	11,080,272	2,747	12,434,409	10,397,027
	1,447,008	11,090,882	2,747	12,540,637	10,496,603

ON BEHALF OF THE BOARD

_____ Director

_____ Director

(See Accompanying Notes to Financial Statements)

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31

	General Fund \$	Endowment Fund \$	MRI/PACS Fund \$	2011 \$	2010 \$
Balance at Beginning of Year	257,028	10,101,674	38,325	10,397,027	9,652,581
Unrealized Gains (losses) on Available-for Sale Financial Assets During the Year	-	688,876	-	688,876	819,118
Excess of Revenue Over Expenditures (Expenditures Over Revenues)	1,094,362	289,722	(35,578)	1,348,506	(74,672)
Fund Balance at End of Year	<u>1,351,390</u>	<u>11,080,272</u>	<u>2,747</u>	<u>12,434,409</u>	<u>10,397,027</u>

(See Accompanying Notes to Financial Statements)

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31

	General Fund \$	Endowment Fund \$	MRI/PACS Fund \$	2011 \$	2010 \$
REVENUE:					
Donations, Fund Raising and Bequests (Note 2A)	2,222,536	334,819	102,180	2,659,535	1,616,858
Investment Income (Note 4)	7,639	319,328	242	327,209	370,957
	<u>2,230,175</u>	<u>654,147</u>	<u>102,422</u>	<u>2,986,744</u>	<u>1,987,815</u>
EXPENDITURES:					
Advertising and Public Relations	31,728	-	-	31,728	29,000
Bookkeeping	3,843	-	-	3,843	3,855
Donor Recognition and Committee Expenses	5,668	-	-	5,668	7,413
Feasibility Study	9,742	-	-	9,742	8,477
Office Supplies and Printing	21,427	-	-	21,427	22,032
Professional Services	10,362	-	-	10,362	26,044
Salaries and Employee Benefits	258,577	-	-	258,577	259,659
Staff Training and Travel	5,248	-	-	5,248	2,350
	<u>346,595</u>	<u>-</u>	<u>-</u>	<u>346,595</u>	<u>358,830</u>
Fundraising	175,059	-	-	175,059	166,615
Planned Giving Expenses	1,127	-	-	1,127	12,093
Investment Fees	-	39,425	-	39,425	37,349
	<u>522,781</u>	<u>39,425</u>	<u>-</u>	<u>562,206</u>	<u>574,887</u>
Excess of Revenue Over Expenditures Before Contributions	1,707,394	614,722	102,422	2,424,538	1,412,928
Contributions to Grey Bruce Health Services - Owen Sound Regional Hospital (Note 3)	<u>(613,032)</u>	<u>(325,000)</u>	<u>(138,000)</u>	<u>(1,076,032)</u>	<u>(1,487,600)</u>
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)	<u>1,094,362</u>	<u>289,722</u>	<u>(35,578)</u>	<u>1,348,506</u>	<u>(74,672)</u>

(See Accompanying Notes to Financial Statements)

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31

	General Fund \$	Endowment Fund \$	MRI/PACS Fund \$	2011 \$	2010 \$
SOURCES (USES) OF CASH					
OPERATING ACTIVITIES:					
Excess of Revenue Over Expenditures (Expenditures over Revenue)	1,094,362	289,722	(35,578)	1,348,506	(74,672)
Items not Involving Cash-Charitable Remainder Trust	-	(828)	-	(828)	(828)
Amortization of Equipment	2,874	-	-	2,874	-
	1,097,236	288,894	(35,578)	1,350,552	(75,500)
Change in- Accounts Receivable Due to Grey Bruce Health Services	(8,170)	(1,870)	-	(10,040)	(390)
Due to (from) Other Funds	(12,953)	-	-	(12,953)	39,321
Accounts Payable	(18)	-	18	-	-
	18,214	1,392	-	19,606	(627)
	1,094,309	288,416	(35,560)	1,347,165	(37,196)
INVESTING AND FINANCING ACTIVITIES:					
Sale (Purchase of Investments) (Net)	-	(288,382)	-	(288,382)	(205,738)
Change in Cash	1,094,309	34	(35,560)	1,058,783	(242,934)
Cash at Beginning of Year	341,655	-	38,307	379,962	622,896
Cash at End of Year	1,435,964	34	2,747	1,438,745	379,962

(See Accompanying Notes to Financial Statements)

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2011

1. PURPOSE AND STATUS

The purpose of the Foundation is to receive, accumulate and distribute funds and/or the income there from for the benefit of the Grey Bruce Health Services - Owen Sound Regional Hospital and its successors.

It is incorporated without share capital, under the laws of Ontario and has been classified as a Public Foundation under the Income Tax Act of Canada and as such is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as a Public Foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) FUND ACCOUNTING

The Owen Sound Regional Hospital Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

The General Fund accounts for the program delivery and administrative activities.

The Endowment Fund reports contributions where either external or internal restrictions require that the principal must be maintained permanently.

The MRI/PACS Fund includes all funds restricted for the specific purpose of funding the capital purchase of MRI/PACS equipment.

(B) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is provided to amortize the cost of assets over their estimated useful lives. Provision is made for depreciation using the straight line method with computer equipment being amortized over 36 months and other equipment over 60 months.

(C) INVESTMENTS

Investments include both available-for-sale and held-to-maturity investments. The available-for-sale investments include investments in equities and bonds the Foundation intends to hold for more than one year and has not elected to classify as held-for-trading. The held-to-maturity investments include short term fixed income securities purchased with maturities less than one year and are classified as such because the Foundation has the positive intent and ability to hold the securities until maturity.

Unrealized holding gains and losses related to available-for-sale investments are excluded from excess of Revenue Over Expenditures and are included in the Statement of Changes in Fund Balances until such gains or losses are realized or an other than temporary impairment is determined to have occurred.

Quoted market price was used to estimate the fair value of the financial instruments classified as available-for-sale at the Statement of Financial Position date.

The initial valuation of all securities will include transaction costs and will be based on trade date.

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2011

(D) REVENUE RECOGNITION

Restricted and all unrestricted contributions/earnings are recognized as revenue in the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Pledges are recognized as revenue when the amount is collected.

(E) CHARITABLE REMAINDER TRUST

The asset is recorded at the present value of the future income stream which is the basis for the donation that has been recorded.

(F) FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash, GST receivable, investments, and payables.

The carrying values of cash, GST receivable and payables approximate their fair values due to their short-term nature. The Foundation does not believe that it is subject to any significant concentration of credit risk.

The fair values of investments, market and interest rate risks are disclosed in the respective notes to the financial statements.

(G) CONTRIBUTED SERVICES

Volunteers contribute to the Owen Sound Regional Hospital Foundation each year to assist the organization in carrying out its service delivery activities. Because of the difficulty of determining their fair market value, contributed services are not recognized in the financial statements.

(H) PLANNED GIVING & ENDOWMENT EXPENSES

It is the Foundation's policy to have the General Fund pay for the planned giving and endowment fund expenses with the exception of the investment management fees.

(I) EMPLOYEE FUTURE BENEFIT PLANS

The Foundation participates in employee future benefit plans sponsored by Grey Bruce Health Services. Contributions to these plans are expensed when due.

(J) CAPITAL

The Foundation makes transfers from the general fund to Grey Bruce Health Services on a quarterly basis with reserves maintained for operating and designated funds. General funds are held in an interest bearing bank account. A description of how investments are managed is disclosed in the respective note to the financial statements.

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2011

3. PAYMENTS TO GREY BRUCE HEALTH SERVICES

The Owen Sound Regional Hospital Foundation (Grey Bruce Regional Health Centre Foundation Inc.) was incorporated on March 22, 1982 with the objective of raising funds for capital projects and medical research for the Grey Bruce Health Services - Owen Sound Regional Hospital and is governed by an independent Board of Directors.

The payable of \$49,363 to the Grey Bruce Health Services at March 31, 2011 represents a reimbursement for the monthly staff salaries paid by the Health Centre and office supplies for the months of February and March 2011.

4. INVESTMENTS

Investments are carried at either market or amortized cost as disclosed below. The Foundation is exposed to fluctuations in market prices of equities and fixed income investments, interest and foreign exchange rates, and credit risks on fixed income investments. These endowment funds are held at Wood Gundy ("The Custodian") and are managed by Martin, Lucas & Seagram Ltd. ("The Manager") in accordance with the investment policy approved by the Board of Directors (reviewed annually), is monitored on a quarterly basis, and is considered the method by which the Foundation manages the risks. The manager may only invest in those investments authorized for Trustees pursuant to the Trustees Act (Ontario) and in accordance with the investment policy. The investment policy states criteria which must be met (i.e. bond ratings), asset allocation guidelines and expected performance measures.

Investments consist of the following:

	2011	2010
	\$	\$
Cash - at fair value	90,146	149,229
T-Bills - at amortized cost	-	9,189
Canadian Bonds, available for sale - at market plus accrued income (Cost \$5,499,323)	5,778,749	5,182,319
Charitable Remainder Trust - at net present value	17,068	16,240
Equities (Canadian & U.S.) - at market Cost (\$3,957,011)	5,202,356	4,753,255
	<u>11,088,319</u>	<u>10,110,232</u>

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2011

4. INVESTMENTS (Continued)

	2011	2010
	\$	\$
Investment income for the Funds consists of:		
General Fund Interest	7,639	2,150
Endowment Fund Interest	257,236	243,336
Endowment Fund Dividends	129,284	132,905
Endowment Fund Realized Capital Gains (Losses)	(67,192)	(7,634)
MRI Fund - Interest	242	200
	327,209	370,957
	327,209	370,957

Investment income for the General and MRI Funds consists of bank interest earned.

5. RESTRICTED FUNDS WITHIN GENERAL FUND

The externally restricted funds includes \$150,000 in funds received for Minimally Invasive Surgery Equipment.

Undesignated bequests held in reserve will be used in 2011/12 to support high priority equipment needs to be identified by the Hospital and/or a major capital campaign to begin in 2011/12. A portion of the funds may also be endowed.

6. ENDOWMENT FUNDS

The Endowment Funds consist of restricted contributions received by the Foundation where endowment principal is required to be maintained intact. The Endowment Fund also includes bequests transferred by the Board to the Endowment fund. The income from the funds is used to fund capital purchases related to the purpose of the fund and in the case of the Cardiac Trust and Staff Training Fund also to fund patient care staff training. Disbursements from the funds are made annually subject to market conditions and the needs of the Hospital.

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2011

6. ENDOWMENT FUNDS (Continued)

The following designated funds (inclusive of unrealized gains) are included in the Endowment Funds:

	2011	2010
	Fund Balance	Fund Balance
	at	at
	Market Value	Market Value
	\$	\$
Undesignated	10,446,526	9,608,085
Vision Care	164,064	149,837
Rehabilitation	7,247	6,807
Heart Care	35,328	32,718
Oncology	41,820	39,046
Diagnostic Imaging	32,082	29,865
Staff Training	250,079	235,316
Critical Care	103,126	-
	11,080,272	10,101,674

7. MRI/PACS

The campaign launched to purchase MRI/PACS equipment with a goal of \$8,300,000 has completed the direct solicitation phase. Most pledges are received and have been reflected as revenue when received.

8. FUTURE ACCOUNTING PRONOUNCEMENTS

The Accounting Standards Board (AcSB) responsible for the accounting standards for private sector not-for-profit organizations has decided to replace the existing set of accounting standards known as GAAP. The AcSB has concluded that Not-for-Profit organizations will be given a choice of adopting International Financial Reporting Standards (IFRS) or Canadian Accounting Standards for Not-for-Profit Organizations. Adoption of a new standard is not expected until 2012 and the impact of the changes on the financial statements and the audit process are not yet determined.