

**OWEN SOUND REGIONAL HOSPITAL
FOUNDATION**

FINANCIAL STATEMENTS

MARCH 31, 2017

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
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INDEPENDENT AUDITOR'S 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, 2017, 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 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 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, for both years 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, 2017, 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.

Collins Barrow SGB LLP

COLLINS BARROW SGB LLP
LICENSED PUBLIC ACCOUNTANTS
Owen Sound, Ontario
June 27, 2017

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

	General Fund \$	Endowment Fund \$	Campaign Fund \$	2017 \$	2016 \$
ASSETS					
CURRENT:					
Cash	190,552	136,088	47,415	374,055	215,916
Accounts Receivable	1,968	-	-	1,968	10,658
HST Receivable	11,579	3,121	70	14,770	20,070
	<u>204,099</u>	<u>139,209</u>	<u>47,485</u>	390,793	246,644
INVESTMENTS (Note 2)	-	14,309,440	-	14,309,440	13,773,971
CAPITAL ASSETS (Note 3)	16,760	-	-	16,760	20,112
Total Assets	<u>220,859</u>	<u>14,448,649</u>	<u>47,485</u>	14,716,993	14,040,727
LIABILITIES AND FUND BALANCES					
CURRENT:					
Due to Grey Bruce Health Services (Note 4)	49,423	-	-	49,423	52,050
Accounts Payable	14,775	-	-	14,775	47,649
Due to (from) Other Funds	21,228	(1,017)	(20,211)	-	-
	<u>85,426</u>	<u>(1,017)</u>	<u>(20,211)</u>	64,198	99,699
FUND BALANCES:					
Externally Restricted (Note 5)	-	-	67,696	67,696	76,854
Restricted (Note 6)	-	14,449,666	-	14,449,666	13,765,511
Unrestricted	135,433	-	-	135,433	98,663
	<u>135,433</u>	<u>14,449,666</u>	<u>67,696</u>	14,652,795	13,941,028
	<u>220,859</u>	<u>14,448,649</u>	<u>47,485</u>	14,716,993	14,040,727

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 \$	Campaign Fund \$	2017 \$	2016 \$
Balance at Beginning of Year	76,854	13,765,511	98,663	13,941,028	14,159,913
Excess of Revenue Over Expenditures (Expenditures Over Revenues)	58,579	684,155	(30,967)	711,767	(218,885)
Fund Balance at End of Year	135,433	14,449,666	67,696	14,652,795	13,941,028

(See Accompanying Notes to Financial Statements)

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

	General Fund \$	Endowment Fund \$	Campaign Fund \$	2017 \$	2016 \$
REVENUE:					
Donations, Fund Raising and Bequests (Note 1A)					
- General Fund	988,846	-	-	988,846	1,075,739
- Endowment Fund	-	249,569	-	249,569	198,141
- Campaign Fund	-	-	1,277,143	1,277,143	1,322,472
Investment Income (Note 2)	3,571	941,265	2,502	947,338	456,986
	<u>992,417</u>	<u>1,190,834</u>	<u>1,279,645</u>	<u>3,462,896</u>	<u>3,053,338</u>
EXPENDITURES:					
Advertising and Public Relations	38,114	-	-	38,114	38,382
Amortization of Equipment	3,352	-	-	3,352	3,352
Bookkeeping	3,684	-	-	3,684	4,007
Donor Recognition and Committee Expenses	7,264	-	6,087	13,351	15,728
Office, Bank Fees, and Postage	31,122	-	23,836	54,958	41,314
Professional Services	9,978	-	-	9,978	10,082
Salaries and Employee Benefits	294,196	-	-	294,196	286,723
Staff Training and Travel	707	-	-	707	4,731
	<u>388,417</u>	<u>-</u>	<u>29,923</u>	<u>418,340</u>	<u>404,319</u>
Fundraising General Fund	140,647	-	-	140,647	171,678
Fundraising Campaign Fund	-	-	-	-	7,483
Investment Fees	-	51,679	-	51,679	51,605
	<u>529,064</u>	<u>51,679</u>	<u>29,923</u>	<u>610,666</u>	<u>635,085</u>
Excess of Revenue Over Expenditures Before Unrealized Gains and Contributions	463,353	1,139,155	1,249,722	2,852,230	2,418,253
Unrealized (Losses) Gains on Fair Value Investments	-	-	-	-	(425,815)
Excess of Revenue Over Expenditures Before Contributions	463,353	1,139,155	1,249,722	2,852,230	1,992,438
Contributions to Grey Bruce Health Services (Note 4)	(404,774)	(455,000)	(1,280,689)	(2,140,463)	(2,211,323)
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)	<u>58,579</u>	<u>684,155</u>	<u>(30,967)</u>	<u>711,767</u>	<u>(218,885)</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 \$	Campaign Fund \$	2017 \$	2016 \$
SOURCES (USES) OF CASH					
OPERATING ACTIVITIES:					
Excess of Revenue Over Expenditures (Expenditures over Revenue)	58,579	684,155	(30,967)	711,767	(218,885)
Items not Involving Cash-Charitable Remainder Trust Unrealized Losses (Gains) on Fair Value Investments	-	(2,193)	-	(2,193)	(20,340)
Amortization of Equipment	3,352	-	-	3,352	425,815
	<u>61,931</u>	<u>681,962</u>	<u>(30,967)</u>	<u>712,926</u>	<u>189,942</u>
Change in- Accounts Receivable	(34)	-	8,723	8,689	(7,291)
HST Receivable	3,527	876	896	5,299	(5,900)
Due to Grey Bruce Health Services	(2,626)	-	-	(2,626)	2,978
Due to (from) Other Funds	(6,217)	(1,017)	7,234	-	-
Accounts Payable	(20,334)	(12,501)	(38)	(32,873)	26,088
	<u>36,247</u>	<u>669,320</u>	<u>(14,152)</u>	<u>691,415</u>	<u>205,817</u>
INVESTING AND FINANCING ACTIVITIES:					
Sale (Purchase of Investments) (Net)	-	(533,276)	-	(533,276)	(148,122)
Change in Cash	36,247	136,044	(14,152)	158,139	57,695
Cash at Beginning of Year	<u>154,305</u>	<u>44</u>	<u>61,567</u>	<u>215,916</u>	<u>158,221</u>
Cash at End of Year	<u>190,552</u>	<u>136,088</u>	<u>47,415</u>	<u>374,055</u>	<u>215,916</u>

(See Accompanying Notes to Financial Statements)

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2017

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies applied in accordance with these standards are as follows:

(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 Campaign Fund began in fiscal 2012 and includes all funds restricted for the specific purpose of funding the equipment and facilities related to the Hospital Campaign at Grey Bruce Health Services - Owen Sound Regional Hospital. The campaign is being jointly undertaken with the other Foundations serving Grey Bruce Health Services Hospitals in Meaford, Markdale, Southampton, Wiarton and Lion's Head.

(B) FINANCIAL INSTRUMENTS

The Foundation measures its financial assets and financial liabilities initially at fair value. Subsequently, financial assets and financial liabilities are measured either at fair value or amortized cost. Financial instruments measured at amortized cost are tested for impairment annually.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include due to Grey Bruce Health Services and accounts payable.

Investments: Short term fixed income securities are measured at amortized cost. The Charitable Remainder Trust is measured at net present value which approximates amortized cost. Equity investments quoted on an active market are measured at fair value. In addition, the Foundation has elected to measure bonds to be held for more than one year at fair value.

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) 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. Investment income is recorded when received.

Pledges are recognized as revenue when the amount is collected.

(D) CAPITAL ASSETS

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated lives, which for computer software is ten years.

(E) 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.

(F) 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.

(G) PENSIONS AND EMPLOYEE FUTURE BENEFIT PLANS

The Foundation participates in employee future benefit plans sponsored by Grey Bruce Health Services which is an employer member of the Healthcare of Ontario Pension Plan (HOOPP). Contributions to these plans are expensed when due.

(H) 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

(I) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and cash deposited in the Canadian bank accounts.

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2017

2. INVESTMENTS

Investments are carried at either market or amortized cost as disclosed below.

Investments consist of the following:

	2017 \$	2016 \$
Cash - at amortized cost	14,266,525	936,627
Canadian Bonds Maturing in next fiscal - at fair value	-	820,981
Canadian Bonds, - at fair value plus accrued income (Cost - 2016 \$4,331,821)	-	4,579,548
Charitable Remainder Trust - at net present value	42,915	40,722
Equities (Canadian & International) - at fair value (Cost - 2016 \$4,733,192)	-	7,396,093
	<u>14,309,440</u>	<u>13,773,971</u>

Investment income for the Funds consists of:

General Fund Interest	3,571	3,675
Endowment Fund Interest	162,662	157,845
Endowment Fund Dividends	237,904	271,078
Endowment Fund Realized Capital Gains	540,699	22,140
Campaign Fund Interest	2,502	2,248
	<u>947,338</u>	<u>456,986</u>

In contemplation of a transfer of investments from CIBC Wood Gundy ("The Custodian") managed by Martin, Lucas & Seagram Ltd. ("The Manager") to Mawer Investment Management Ltd., the investments were converted to cash on March 31, 2017, and reinvested with Mawer Investment Management Ltd. on April 1, 2017.

3. CAPITAL ASSETS

	2017 \$	2016 \$
COST-		
Computer Software	33,520	33,520
ACCUMULATED AMORTIZATION-		
Computer Software	<u>16,760</u>	<u>13,408</u>
	<u>16,760</u>	<u>20,112</u>

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2017

4. PAYMENTS TO GREY BRUCE HEALTH SERVICES

The Owen Sound Regional Hospital Foundation was incorporated on March 22, 1982 with the objective of raising funds for facility improvements, equipment, and staff education for the Grey Bruce Health Services - Owen Sound Regional Hospital and is governed by an independent Board of Directors.

The payable of \$49,423 to the Grey Bruce Health Services at March 31, 2017 represents a reimbursement for the monthly staff salaries paid by the Hospital and office supplies for the months of February and March 2017.

Payments made to the Healthcare of Ontario Pension Plan by way of payments to the Grey Bruce Health Services for 2017 were \$22,630 (2016 \$22,066). Note that the most recent actuarial valuation of the Plan was as at December 31, 2016 at which time it reported an actuarial surplus.

Payments made to Grey Bruce Health Services were \$2,140,463, (2016 - \$2,211,323).

5. THE HOSPITAL CAMPAIGN

The Foundation has a fundraising campaign for equipment and facilities related mainly to cancer care at the Grey Bruce Health Services Owen Sound Regional Hospital. "The Hospital Campaign" is a joint project with the other Foundations serving Grey Bruce Health Services Hospitals in Meaford, Markdale, Southampton, Wiarton and Lion's Head. The total goal of the campaign is \$11.4 million with \$7 million needed at the Owen Sound Regional Hospital.

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.

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

	2017	2016
	Fund Balance	Fund Balance
	at Fair Value	at Fair Value
	\$	\$
Undesignated	13,517,040	12,891,831
Vision Care	197,355	191,125
Rehabilitation	8,716	8,426
Heart Care	44,222	42,784
Oncology	80,081	52,656
Diagnostic Imaging	39,216	37,937
Staff Training	317,848	303,260
Critical Care	128,564	124,593
Laboratory Equipment	116,624	112,899
	14,449,666	13,765,511

OWEN SOUND REGIONAL HOSPITAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2017

7. FINANCIAL INSTRUMENTS

The Foundation's exposure to risks from its financial instruments is described as follows:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk as the value of the long-term bonds are affected by market changes in interest rates.

Currency risk is the risk to the Foundation's operations that arise from fluctuations of foreign currency exchange rates. The Foundation is exposed to currency risk through its investments in foreign equities.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other Price Risk: Other price risk is the risk that the fair value future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar instruments traded in the market.

The Foundation is exposed to market and other price risk through its investments. These investments were converted to cash in March 31, 2017 in contemplation of the transfer to the new investment manager, Mawer Investment Management Ltd., as approved by the board on February 28, 2017. They were formerly held at CIBC Wood Gundy ("The Custodian") and managed by Martin, Lucas & Seagram Ltd. ("The Manager") in accordance with the investment policy approved by the Board of Directors (reviewed annually), and 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. This same management of risk will apply to the new investment manager, Mawer Investment Management Ltd., which has assumed control & invested the endowment funds on April 1, 2017.

8. COMMITMENTS

The Foundation entered into a 66 month lease for a relay envelope insertion & folding system in June 2016. The lease is billed quarterly at \$816.78 per quarter.