

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

Financial Statements

March 31, 2018

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

Financial Statements

For The Year Ended March 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of **St. Thomas Elgin General Hospital Foundation**:

We have audited the accompanying financial statements of **St. Thomas Elgin General Hospital Foundation**, which comprise the statement of financial position as at March 31, 2018, and the statements of fund operations and changes in net assets, 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.

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 whether the financial statements are free of 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, the organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses and cash flows for the period ending March 31, 2018, current assets as at March 31, 2018 and March 31, 2017, and net assets as at April 1, 2017 and March 31, 2018 for the 2018 period ended as well as April 1, 2016 and March 31, 2017 for the 2017 year ended. Our audit on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the statement of financial position of **St. Thomas Elgin General Hospital Foundation** as at March 31, 2018, and the statements of fund operations and changes in net assets and changes in net assets, and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

St. Thomas, Ontario

May 29, 2018

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

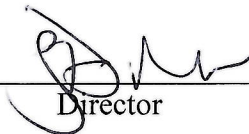
Licensed Public Accountants

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

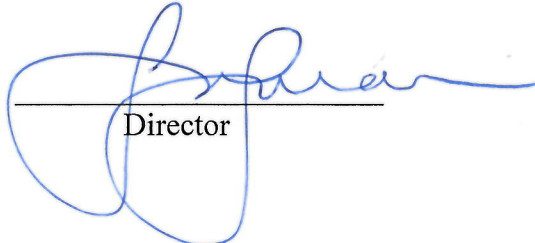
Statement of Financial Position As at March 31, 2018

	<u>ASSETS</u>	
	2018	2017
	\$	\$
ASSETS		
Cash	1,264,989	1,939,430
Investments (Note 5)	-	7,306,416
Planned gifts (Note 9)	51,193	50,003
Prepaid expenses	4,490	-
Government remittances receivable	<u>6,242</u>	<u>6,739</u>
TOTAL ASSETS	<u>1,326,914</u>	<u>9,302,588</u>
	<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES		
Due to St. Thomas-Elgin General Hospital (Note 7)	1,623,407	164,796
Accrued liabilities	<u>34,304</u>	<u>30,795</u>
	<u>1,657,711</u>	<u>195,591</u>
NET ASSETS		
Unrestricted net assets	405,454	1,009,321
Restricted net assets	307,264	443,243
Endowment net assets	118,470	116,717
Capital net assets (Note 3)	<u>(1,161,985)</u>	<u>7,537,716</u>
	<u>(330,797)</u>	<u>9,106,997</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1,326,914</u>	<u>9,302,588</u>

On behalf of the Board:



Director



Director

See accompanying notes to the financial statements

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION
Statement of Fund Operations and Changes in Net Assets
For The Year Ended March 31, 2018

	Unrestricted Fund \$	Restricted Fund \$	Endowment Fund \$	Capital Fund \$	2018 Total Funds \$	2017 Total Funds \$
REVENUES						
Leadership/ Individual	161,579	21,888	-	1,651,184	1,834,651	2,776,219
Legacy giving	-	-	-	392,059	392,059	821,178
Direct Marketing	117,501	18,800	-	20,055	156,356	207,513
Foundation events	-	135,804	-	11,277	147,081	264,989
Memoriam giving	107,471	29,693	-	7,280	144,444	80,658
Community events	71,279	42,020	-	6,511	119,810	137,104
Investment income	<u>25,472</u>	<u>4,328</u>	<u>1,753</u>	<u>45,875</u>	<u>77,428</u>	<u>156,569</u>
	<u>483,302</u>	<u>252,533</u>	<u>1,753</u>	<u>2,134,241</u>	<u>2,871,829</u>	<u>4,444,230</u>
EXPENDITURES						
Salaries and benefits	352,991	-	-	41,462	394,453	357,555
Direct fundraising costs	61,618	39,993	-	146,471	248,082	155,071
Indirect operating costs	<u>111,597</u>	<u>-</u>	<u>-</u>	<u>46,499</u>	<u>158,096</u>	<u>102,473</u>
	<u>526,206</u>	<u>39,993</u>	<u>-</u>	<u>234,432</u>	<u>800,631</u>	<u>615,099</u>
(DEFICIT) EXCESS OF REVENUES OVER EXPENDITURE	(42,904)	212,540	1,753	1,899,809	2,071,198	3,829,131
NET ASSETS, BEGINNING OF YEAR	1,009,321	443,243	116,717	7,537,716	9,106,997	7,483,932
Distributions to the St. Thomas Elgin General Hospital (Note 10)	(326,090)	(137,301)	-	(11,045,601)	(11,508,992)	(2,206,066)
Fund Transfers (Note 8)	<u>(234,873)</u>	<u>(211,218)</u>	<u>-</u>	<u>446,091</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>405,454</u>	<u>307,264</u>	<u>118,470</u>	<u>(1,161,985)</u>	<u>(330,797)</u>	<u>9,106,997</u>

See accompanying notes to the financial statements.

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

Statement of Cash Flows For The Year Ended March 31, 2018

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenditures	<u>2,071,198</u>	<u>3,829,131</u>
Changes in non-cash working capital:		
Prepaid expenses	(4,490)	-
Planned gifts	(1,190)	(1,190)
Government remittances receivable	497	(1,208)
Due to The St. Thomas Elgin General Hospital	1,458,611	33,169
Accrued liabilities	<u>3,509</u>	<u>(20,525)</u>
	<u>3,528,135</u>	<u>3,839,377</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Net withdrawal (purchases) of investments	<u>7,306,416</u>	<u>(274,705)</u>
DISTRIBUTIONS TO THE ST. THOMAS ELGIN GENERAL HOSPITAL (NOTE 10)	<u>(11,508,992)</u>	<u>(2,206,066)</u>
NET (DECREASE) INCREASE IN CASH	(674,441)	1,358,606
CASH, BEGINNING OF YEAR	<u>1,939,430</u>	<u>580,824</u>
CASH, END OF YEAR	<u>1,264,989</u>	<u>1,939,430</u>

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

Notes to the Financial Statements For The Year Ended March 31, 2018

NATURE OF ORGANIZATION

The St. Thomas Elgin General Hospital Foundation (Foundation) was incorporated under the Corporations Act (Ontario) without share capital on March 13, 1985. The purpose of the Foundation is to establish and maintain a fund or funds and to apply from time to time all or part thereof and the income therefrom for the purposes of The St. Thomas Elgin General Hospital (Hospital). The Foundation qualifies for income tax-exempt status as a registered charity under the Canadian Income Tax Act.

1. ECONOMIC INTEREST

The Hospital has an economic interest in the Foundation in that the purpose of the Foundation is to establish a fund for the purpose of the Hospital, and to assist the Hospital to acquire new equipment, upgrade its physical facilities and support educational programs.

The functions of the Foundation are to inform the Foundation's donors and general community about the hospital's capital project needs, conduct fund-raising programs, recognize donors and ensure proper management and allocation of donated funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Use of Estimates

The preparation of these 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 amounts of revenues and expenses during the reported period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

Fund Accounting

The accounts are maintained in accordance with the principles of fund accounting. Under these principles, resources are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. The organization uses the following fund groups:

- (i) The Unrestricted Fund accounts for the receipt and expenditure of donations or bequests that are not specifically designated to a program or project.
- (ii) The Restricted Fund accounts for the receipt and expenditure of donations or bequests that have been restricted by the donor.

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

Notes to the Financial Statements For The Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (continued)

- (iii) The Endowment Fund accounts for the receipt of donations or bequests that have been endowed by the donor.
- (iv) The Capital Fund accounts for the receipt and expenditure of donations or bequests that have been restricted to the capital fundraising campaign.

When the Foundation has pledged a specific level of financial support towards a particular Hospital expenditure, the related liability to the Hospital is recognized by the Foundation at the time the Hospital is invoiced.

Revenue Recognition

The organization follows the restricted fund method of accounting for contributions. Donations made specifically to offset future operating expenses are deferred and recognized as revenue as the expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Specifically, the organization recognizes revenue from donations when they are received, and interest revenue from investments when accrued.

Planned gifts

Planned gifts consist of a Life Insurance Policy, an Annuity and a Charitable Remainder Trust (CRT).

When the Foundation is named owner and beneficiary of a donated life insurance policy, the Foundation records the cash surrender value. Annual premiums paid by the donor are recorded as revenue and also increase the asset value.

An Annuity is a contract arranged by a donor with the financial corporation. The financial corporation then makes fixed dollar payments to the charitable organization for the term of the contract. The financial corporation guarantees both the earnings and the principle. The value of all future payments are recorded as a receivable.

A CRT is an arrangement whereby a donor places a principal sum of money into an irrevocable trust and income from the CRT is paid to the donor by the trust company. The principal is vested with the Foundation fully and unconditionally and upon the donor's death, the Foundation will receive the principal proceed. The present value of the principal sum of the CRT is recorded as an asset and revenue. During the lifetime of the donor, the change in value of the CRT is recorded as an increase to the asset and as revenue.

Gifts in kind

The value of gifts in kind are recorded at fair market value when they are received.

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

Notes to the Financial Statements For The Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The organization recognizes its transaction costs in excess of revenue over expenditures in the period incurred.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include term planned gifts.

Financial liabilities measured at amortized cost include due to St. Thomas Elgin General Hospital and accrued liabilities.

Financial assets measured at fair value include cash, and short-term investments as they are quoted in an active market.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenue over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenditures.

3. CAPITAL FUND SUPPORT OF THE GREAT EXPANSION

The Foundation has a substantial appeal to support the "Great Expansion" with a fundraising goal of \$16,000,000. Completion of the project occurred during the 2018 fiscal year. Towards this goal, during 2018 the Foundation recognized pledge liabilities of \$11,045,601 (note 10), in addition to the \$3,300,035 distributed in 2016 and 2017. The negative net assets for the Capital Fund is a result of the timing between the incurrence of the expense versus the receipt of the future donations pledged as detailed in Note 4.

4. DONATION PLEDGES

As at March 31, 2018, an amount of \$3,924,594 (2017 - \$4,829,025) has been pledged as future donations to the Foundation. These pledges will be recorded as donation revenue as they are received. The donors have pledged to pay these amounts over several years, as follows:

	<u>\$</u>
2019	888,955
2020	940,989
2021	892,650
2022	682,000
2023 and beyond	520,000

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

**Notes to the Financial Statements
For The Year Ended March 31, 2018**

5. INVESTMENTS

In the prior year investments consisted of cash in high-interest savings accounts, shares in equity investments, as well as \$6,678,117 in guaranteed investment certificates. In the current year all investments were withdrawn to support the Great Expansion Project.

6. PLANNED GIFTS

	<u>2018</u>				<u>2017</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Endowment</u>	<u>Total</u>	<u>Total</u>
Charitable Remainder Trust	-	-	25,000	25,000	25,000
Life Insurance Policy	<u>26,193</u>	-	-	<u>26,193</u>	<u>25,003</u>
	<u>26,193</u>	-	<u>25,000</u>	<u>51,193</u>	<u>50,003</u>

7. DUE TO THE ST. THOMAS ELGIN GENERAL HOSPITAL

The amount owing to the Hospital at year end consists of the following:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	164,796	131,627
Unrestricted fund expenses	184,040	665,489
Capital fund expenses	11,045,601	2,000,035
Restricted fund distributions to the Hospital	137,301	176,904
Funds transferred to the Hospital	<u>(9,908,331)</u>	<u>(2,809,259)</u>
	<u>1,623,407</u>	<u>164,796</u>

8. INTERFUND TRANSFERS

During the year \$446,091 was transferred within funds to align with donor wishes, details include \$211,218 from Restricted Fund to Capital Fund and \$234,873 from Unrestricted Fund to Capital Fund.

9. INTERFUND RECEIVABLE/PAYABLE

	<u>2018</u>				<u>2017</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Endowment</u>	<u>Capital</u>	<u>Total</u>
Receivable	-	440,403	93,470	227,816	761,689
Payable	<u>(761,689)</u>	-	-	-	<u>(761,689)</u>
	<u>(761,689)</u>	<u>440,403</u>	<u>93,470</u>	<u>227,816</u>	<u>-</u>

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

Notes to the Financial Statements For The Year Ended March 31, 2018

10. DISTRIBUTIONS TO THE ST. THOMAS ELGIN GENERAL HOSPITAL

	2018			
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Capital</u>	<u>Total</u>
Beds	63,335	-	-	63,335
Bladder scanner	-	12,731	-	12,731
Chapel renovations	15,701	12,514	-	28,215
Chemotherapy Chairs	-	50,106	-	50,106
CT Scanner	-	-	950,800	950,800
Gifts in Kind	486	7,554	-	8,040
Great Expansion	-	-	10,094,801	10,094,801
Mammography machine	83,358	-	-	83,358
Medical Student	6,000	-	-	6,000
Medication carts	136,057	-	-	136,057
Other equipment purchases	21,153	16,604	-	37,757
Orthopaedic equipment	-	<u>37,792</u>	-	<u>37,792</u>
	<u>326,090</u>	<u>137,301</u>	<u>11,045,601</u>	<u>11,508,992</u>

2017 distributions to the St. Thomas Elgin General Hospital totaled \$2,206,066.

11. FINANCIAL INSTRUMENTS

Risks and Concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the balance sheet date.

Market Risk

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. The organization is mainly exposed to interest rate risk.

Interest Rate Risk

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 organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments.

The organization is not subject to any financial institution's covenants.