

Financial statements of

**Royal Victoria Regional Health  
Centre Foundation**

December 31, 2016

# Royal Victoria Regional Health Centre Foundation

December 31 2016

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## Independent Auditor's Report

To the Members of  
Royal Victoria Regional Health Centre Foundation

We have audited the accompanying financial statements of Royal Victoria Regional Health Centre Foundation, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and changes in fund balances, and of 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 audit opinion.

# Royal Victoria Regional Health Centre Foundation

Statement of financial position  
as at December 31, 2016

	2016	2015
	\$	\$
<b>Assets</b>		
Current		
Cash (Note 3)	3,605,399	16,990,516
Accounts receivable	45,799	38,153
Accrued investment income	7,227	-
Prepaid expenses	16,090	17,239
	<b>3,674,515</b>	<b>17,045,908</b>
Investments (Note 4)	34,828,193	16,065,798
Capital assets (Note 5)	51,967	28,154
	<b>38,554,675</b>	<b>33,139,860</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	85,983	46,279
Due to The Royal Victoria Regional Health Centre ("RVH") (Note 9)	85,855	285,568
	<b>171,838</b>	<b>331,847</b>
<b>Fund balances</b>		
General Fund		
Unrestricted	657,250	533,784
Capital Campaign Fund	14,239,946	9,488,079
Specific Donations Fund	15,172,896	14,927,491
Endowment Fund (Note 10)	8,312,745	7,858,659
	<b>38,382,837</b>	<b>32,808,013</b>
	<b>38,554,675</b>	<b>33,139,860</b>

Approved by the Board

  
\_\_\_\_\_  
Director

  
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Director

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

# Royal Victoria Regional Health Centre Foundation

Statements of operations and changes in fund balances  
year ended December 31, 2016

	General Fund		Capital Campaign Fund		Specific Donations Fund		Endowment Fund		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>										
Donations	49,388	118,402	3,235,807	2,757,751	562,352	3,207,077	8,050	6,125	3,855,597	6,089,355
Bequests	17,055	8,284	2,286,523	312,964	7,450	15,533	19,667	-	2,330,695	336,781
Community events	15,745	29,152	534,067	462,863	86,534	143,873	-	-	636,346	635,888
Investment income, net of fees (Note 8)	526,320	341,428	-	-	-	-	512,183	89,395	1,038,503	430,823
	<b>608,508</b>	<b>497,266</b>	<b>6,056,397</b>	<b>3,533,578</b>	<b>656,336</b>	<b>3,366,483</b>	<b>539,900</b>	<b>95,520</b>	<b>7,861,141</b>	<b>7,492,847</b>
<b>Expenses</b>										
Fundraising and administrative	460,694	349,485	-	10,896	-	13,911	-	-	460,694	374,292
Salaries and benefits	894,158	873,600	-	-	-	-	-	-	894,158	873,600
	<b>1,354,852</b>	<b>1,223,085</b>	<b>-</b>	<b>10,896</b>	<b>-</b>	<b>13,911</b>	<b>-</b>	<b>-</b>	<b>1,354,852</b>	<b>1,247,892</b>
Cost allocation (Note 2)	(746,344)	(725,819)	6,056,397	3,522,682	656,336	3,352,572	539,900	95,520	6,506,289	6,244,955
Distribution to RVH (Note 9)	(1,087,583)	(583,733)	970,088	459,365	38,908	46,339	78,587	78,029	-	-
Excess of revenue over expenses	-	24,536	334,442	163,381	372,023	2,348,059	225,000	-	931,465	2,535,976
(expenses over revenue)	341,239	(166,622)	4,751,867	2,899,936	245,405	958,174	236,313	17,491	5,574,824	3,708,979
Fund balances, beginning of year	533,784	738,694	9,488,079	6,588,143	14,927,491	13,969,317	7,858,659	7,802,880	32,808,013	29,099,034
Interfund transfers	(217,773)	(38,288)	-	-	-	-	217,773	38,288	-	-
<b>Fund balances, end of year</b>	<b>657,250</b>	<b>533,784</b>	<b>14,239,946</b>	<b>9,488,079</b>	<b>15,172,896</b>	<b>14,927,491</b>	<b>8,312,745</b>	<b>7,858,659</b>	<b>38,382,837</b>	<b>32,808,013</b>

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

# Royal Victoria Regional Health Centre Foundation

Statement of cash flows  
year ended December 31, 2016

	2016	2015
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	5,574,824	3,708,979
Adjustment for non-cash item		
Amortization of capital assets	17,731	11,032
	5,592,555	3,720,011
Changes in non-cash working capital items		
Accounts receivable	(7,646)	(1,895)
Accrued investment income	(7,227)	2,127
Prepaid expenses	1,149	(8,587)
Accounts payable and accrued liabilities	39,704	(28,509)
Due to The Royal Victoria Regional Health Centre	(199,713)	(19,775)
	5,418,822	3,663,372
<b>Financing activity</b>		
Acquisition of capital assets	(41,544)	(20,772)
<b>Investing activity</b>		
Change in investments (net)	(18,762,395)	(1,285,384)
Net cash (outflow) inflow	(13,385,117)	2,357,216
Cash position, beginning of year	16,990,516	14,633,300
<b>Cash position, end of year</b>	<b>3,605,399</b>	<b>16,990,516</b>

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

# Royal Victoria Regional Health Centre Foundation

## Notes to the financial statements

December 31, 2016

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### 1. Nature of organization

Royal Victoria Regional Health Centre Foundation, formerly "The Royal Victoria Hospital of Barrie Foundation", (the "Foundation") is incorporated without share capital under the Corporations Act (Ontario) as a charitable organization and is a registered charity under the Income Tax Act (Canada).

The Foundation is principally involved in raising funds for the benefit of The Royal Victoria Regional Health Centre (the "Health Centre"). The fund balances and operations of Royal Victoria Regional Health Centre Foundation are ultimately for the benefit of the Health Centre. These financial statements have not been consolidated with those of the Health Centre.

### 2. Summary of significant accounting policies

#### *Use of estimates*

The financial statements of the Foundation have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The principal estimates used in the preparation of these financial statements are the fair value of financial instruments and the allocation to the various fund balances of unrealized gains and losses related to the change in the fair value of investments. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized below.

#### *Basis of accounting*

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services 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 accounts for the Foundation's program delivery and administrative activities. This fund reports unrestricted contributions and other unrestricted revenues and expenses.

The Capital Campaign Fund reports restricted resources for current priorities recognized in the Hearts and Minds priorities as well as capital equipment. Hearts and Minds priorities include, Advanced Cardiac Care, Women's Cancer Services, Child and Youth Mental Health, and research.

The Specific Donations Fund reports restricted resources that are to be used for purposes as specified by the respective donors.

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.

#### *Pledges*

Pledges, which represent promises to donate cash, are not recorded as revenue until collected.

#### *Revenue recognition*

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate fund.

# Royal Victoria Regional Health Centre Foundation

## Notes to the financial statements

December 31, 2016

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### 2. Summary of significant accounting policies (continued)

#### *Revenue recognition (continued)*

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned on externally restricted Endowment Fund resources are recognized as revenue in each of these Funds. Investment income earned on Specific, Capital Campaigns Fund resources is recorded as revenue of the General Fund unless restricted by the donor in which case it is recorded as revenue of their respective funds. Investment Income earned on internally restricted resources of the Endowment Fund is recognized as revenue of the General Fund. All other investment income is recognized as revenue of the General Fund when earned.

#### *In-kind contributions*

Contributions of assets are recognized in the period they are donated at their fair market value.

Contributed services are not recognized in the financial statements due to the inherent difficulty in valuing the time of volunteers.

#### *Cost allocations*

In 2014 the Board approved a cost allocation policy whereby a portion of general administrative costs incurred by the Foundation be allocated to the Capital Campaign Fund, Specific Donations Fund and the Endowment Fund to appropriately reflect the cost of administering these funds. In 2016 costs are allocated to the Capital Campaign Fund and the Specific Donations Fund using a rate of 17% of bequests received during the year and 17% of other restricted donations reported in these Funds. Costs are allocated to the Endowment Fund at a rate 1% of the value of the Endowment Fund as of January 1 of the current year.

#### *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 and investments	Fair value
Accrued investment income	Fair value
Accounts receivable	Amortized cost
Accrued liabilities	Amortized cost
Due to The Royal Victoria Regional Health Centre	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.

#### *Capital assets*

Purchased capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight-line basis over 5 years.

Assets with an original cost of less than \$3,000 are charged to the statement of operations in the year of acquisition.



# Royal Victoria Regional Health Centre Foundation

## Notes to the financial statements

December 31, 2016

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### 2. Summary of significant accounting policies (continued)

#### *Foreign currency translation*

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, cash in foreign currency is translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in the statement of operations in the current period.

Investments denominated in foreign currency are recorded at the foreign exchange rate in effect at the time the investment was purchased.

### 3. Cash

The Foundation's bank accounts are held at a chartered bank. The bank accounts earn interest at a variable rate at prime less 1.75% on the daily closing balances over \$100,000 and up to \$20,000,000.

### 4. Investments

Investments in securities with an active market have been recorded at market value based on quoted bid prices as at December 31, 2016. Investments are held with RBC Dominion Securities. The investments consist of a market value of \$5,186,193 (2015 - \$4,969,064) in equity, \$19,103,143 (2015 - \$8,560,762) in fixed income, and \$10,538,857 (2015 - \$2,535,972) in cash and cash equivalents. Total market value at December 31, 2016 was \$34,828,193 (2015 - \$16,065,798).

### 5. Capital assets

	2016		2015
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer software and website	88,657	36,690	51,967
			28,154

### 6. Planned giving

The Foundation is the designated beneficiary of seven life insurance policies with a principal sum assured of \$751,000. No amount has been recorded in these financial statements with respect to these insurance policies.

### 7. Pension plan

All employees of the Foundation are members of the Hospitals of Ontario Pension Plan (the "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.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Hospitals of Ontario Pension Plan by placing plan assets in trust and through the Plan Investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the percentage of salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions. Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members.

# Royal Victoria Regional Health Centre Foundation

Notes to the financial statements  
December 31, 2016

## 8. Investment income

	General Fund		Endowment Fund		Total
	2016	2015	2016	2015	
	\$	\$	\$	\$	\$
Investment income earned on					
Capital campaign resources	150,334	83,641	-	-	83,641
Specific donations fund resources	198,140	242,008	-	-	242,008
Endowment fund resources	239,131	59,158	562,472	138,121	197,279
General resources	5,934	4,843	-	-	4,843
	<b>593,539</b>	<b>389,650</b>	<b>562,472</b>	<b>138,121</b>	<b>527,771</b>
Less: investment management and custodial fees	<b>(67,219)</b>	<b>(48,222)</b>	<b>(50,289)</b>	<b>(48,726)</b>	<b>(96,948)</b>
Net investment income	<b>526,320</b>	<b>341,428</b>	<b>512,183</b>	<b>89,395</b>	<b>430,823</b>

# Royal Victoria Regional Health Centre Foundation

Notes to the financial statements

December 31, 2016

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## 9. Related party transactions

### *Transactions*

The following table summarizes the Foundation's related party transactions for the year:

	2016	2015
	\$	\$
Distributions to The Royal Victoria Regional Health Centre	931,465	2,535,976

These transactions are in the normal course of operations and are measured at the exchange amount at the date of distribution.

At the end of the year, the amounts due to related parties are as follows:

	2016	2015
	\$	\$
Royal Victoria Regional Health Centre	85,855	285,568

These balances are interest free and payable on demand.

The balance due to the Health Centre is the result of various expenses of the Foundation being paid on its behalf by the Health Centre.

In addition, the Health Centre provides the Foundation with the use of furnished office space and other resources at no cost to the Foundation.

## 10. Endowment Fund

The Endowment Fund consists of externally restricted contributions received by the Foundation where the endowment principal is required to be maintained intact. The Endowment Fund also includes internal resources transferred by the Board of Directors to the Endowment Fund, with the intention that the principal be maintained intact. The investment income generated from the assets held for endowment purposes must be used in accordance with the various purposes established by the donors for external endowments or the Board for internal endowments.

Major categories or restrictions in fund balances are as follows:

	2016	2015
	\$	\$
Externally imposed endowments		
Endowments, the income from which must be used for education purposes	2,253,372	2,160,868
Endowments, the income from which must be used for other restricted purposes	3,621,503	3,342,259
	5,874,875	5,503,127
Internally imposed endowments		
Funds restricted for education	2,437,870	2,355,529
	8,312,745	7,858,656

During the year, \$Nil (2015 - \$ Nil) was transferred from internally restricted endowment funds to specific donations and general funds as approved by the Board of Directors.

# Royal Victoria Regional Health Centre Foundation

Notes to the financial statements

December 31, 2016

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## 11. In-kind contributions

Contributions of assets to the Foundation during the year amounted to \$6,478 (2015 - \$24,536) which are included in donations revenue in the statement of operations and changes in fund balances.

## 12. Risks arising from financial instruments

### i) *Credit risk*

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

### ii) *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.

### iii) *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.

### iv) *Market risk*

The Foundation is exposed to equity securities' price risk because of the investments held by the Foundation and recorded at fair value. To manage market risk arising from its investments in common shares, the Foundation sets guidelines in the Investment Policies.