

Financial Statements of

**JOSEPH BRANT
HOSPITAL FOUNDATION**

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of Joseph Brant Hospital Foundation

We have audited the accompanying financial statements of Joseph Brant Hospital Foundation, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising 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 an 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 our 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, we consider 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, Joseph Brant Hospital Foundation derives revenues from donations and fundraising events, 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 Joseph Brant Hospital Foundation, and we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses, assets and fund balances.

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Joseph Brant 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
May 29, 2017

JOSEPH BRANT HOSPITAL FOUNDATION

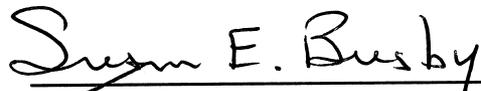
Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,610,388	\$ 14,779,163
Accounts receivable	146,727	206,065
HST rebate receivable	46,825	50,374
Cash surrender value (note 3)	886,585	-
Prepaid expenses	18,578	8,102
	<u>14,709,103</u>	<u>15,043,704</u>
Capital assets, net (note 4)	40,413	6,474
	<u>\$ 14,749,516</u>	<u>\$ 15,050,178</u>
Liabilities and fund balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 1,390,176	\$ 1,438,984
HST payable	15,499	16,046
Grants payable to Joseph Brant Hospital	1,205,335	433,196
Deferred revenue	5,000	28,000
	<u>2,616,010</u>	<u>1,916,226</u>
Fund balances:		
Undesignated fund	3,878,939	7,733,963
Designated fund (note 6)	4,794,820	4,940,242
Endowment fund	3,459,747	459,747
	<u>12,133,506</u>	<u>13,133,952</u>
Commitments (notes 8 and 11)		
	<u>\$ 14,749,516</u>	<u>\$ 15,050,178</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

JOSEPH BRANT HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2017, with comparative information for 2016

	Undesignated fund	Designated fund	Parking fund	Endowment fund	2017 Total	2016 Total
Revenues:						
Fundraising revenue (note 9)	\$ 7,295,123	\$ 989,715	\$ -	\$ 3,000,000	\$ 11,284,838	\$ 11,986,669
Parking	-	-	2,782,757	-	2,782,757	2,866,987
Investment income	273,658	18,094	-	-	291,752	162,461
	7,568,781	1,007,809	2,782,757	3,000,000	14,359,347	15,016,117
Expenses:						
Operating (note 10)	2,448,035	-	-	-	2,448,035	2,506,634
Parking (note 8(b))	-	-	2,177,407	-	2,177,407	2,168,203
	2,448,035	-	2,177,407	-	4,625,442	4,674,837
Excess of revenues over expenses before grants	5,120,746	1,007,809	605,350	3,000,000	9,733,905	10,341,280
Grants (note 11)	(8,970,770)	(1,158,231)	(605,350)	-	(10,734,351)	(4,262,499)
Excess of revenues over expenses (expenses over revenue)	(3,850,024)	(150,422)	-	3,000,000	(1,000,446)	6,078,781
Fund balance, beginning of year	7,733,963	4,940,242	-	459,747	13,133,952	7,055,171
Interfund transfers (note 7)	(5,000)	5,000	-	-	-	-
Fund balance, end of year	\$ 3,878,939	\$ 4,794,820	\$ -	\$ 3,459,747	\$ 12,133,506	\$ 13,133,952

See accompanying notes to financial statements.

JOSEPH BRANT HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Donations, net of expenses	\$ 8,836,803	\$ 9,480,035
Parking, net of expenses	605,350	698,784
Investment income	291,752	162,461
Increase in cash surrender value	(886,585)	-
Depreciation, not requiring cash	7,375	31,748
Loss on sale of furniture	-	2,906
Write down of leasehold improvements	-	41,715
Changes in non-cash working capital (note 13)	752,195	(1,353,510)
	9,606,890	9,064,139
Investing activities:		
Purchase of capital assets	(41,314)	(367)
Proceeds from sale of furniture	-	6,644
	(41,314)	6,277
Grants to Joseph Brant Hospital	(10,734,351)	(4,262,499)
Increase (decrease) in cash	(1,168,775)	4,807,917
Cash, beginning of year	14,779,163	9,971,246
Cash, end of year	\$ 13,610,388	\$ 14,779,163

See accompanying notes to the financial statements.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

1. Purpose of the Organization:

The Joseph Brant Hospital Foundation ("Foundation") is incorporated under the Province of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act.

The purpose of the Foundation is to raise and administer funds to provide for the capital needs of the Joseph Brant Hospital ("Hospital"). The Foundation is currently conducting a multi-million dollar, multi-year campaign to raise funds for the redevelopment and capital priorities of the Hospital.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(a) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions.

Undesignated Fund

The Undesignated Fund records unrestricted donations.

Investment income earned on the unrestricted funds, restricted funds (not subject to restriction) and internally restricted is recorded in the Undesignated Fund.

All of the Foundation's salaries and benefits and other operating expenses are charged to the Undesignated Fund.

Designated Fund

The Designated Fund records donations that are restricted by the donors.

The balance in the Designated Fund represents various funds, all of which must be spent as specified by the donors.

None of the Foundation's salaries and benefits and operating expenses were charged to the Designated Fund in the current year or prior year.

Investment income earned on these various funds and on the externally restricted portion of the Endowment Funds is recorded in the Designated Fund.

During the year, the Auxiliary to the Joseph Brant Hospital contributed \$291,046 (2016 - \$314,324) to the Designated Fund.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 2

Year ended March 31, 2017

2. Significant accounting policies (continued):

(a) Fund accounting (continued):

Parking Fund

The Parking Fund records the revenues and expenses of the parking operations at the Hospital. All excess of revenues over expenses is granted to the Hospital monthly.

Endowment Fund

The Endowment Funds record resources that have been contributed to the Foundation with the stipulation that the capital amount be permanently retained (externally restricted). Investment income earned on these funds is recorded in Designated Fund.

(b) Investments:

Investments with a term to maturity of 90 days or less at date of acquisition are recorded at cost plus accrued income which approximates fair value due to their short-term nature. Long-term investments are carried at fair value, generally evidenced by the quoted market value. The fair values are based upon market conditions at a specific point in time and may not reflect future fair values. Changes in fair values are included in investment income (loss).

(c) Capital assets:

Capital assets are stated at cost. Amortization is provided annually on the straight-line basis over five years. Contributed capital assets received for the benefit of the Hospital are recorded at fair value at the time of receipt.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 3

Year ended March 31, 2017

2. Significant accounting policies (continued):

(d) Revenue recognition:

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

Unrestricted contributions are recognized as revenue of the Undesignated Fund in the year received.

Investment income earned on Endowment Fund resources which are externally restricted is recognized as revenue in the Designated Fund. Investment income on Undesignated Fund and Designated Fund resources are recognized as revenue in the respective fund. Other investment income is recognized as revenue of the Undesignated Fund when earned.

(e) Contributed materials and services:

Donated materials, when received, are reflected in donation revenue and expenses of the Undesignated Fund. A number of volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 4

Year ended March 31, 2017

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

3. Cash surrender value:

The Foundation has received a donation in the form of an insurance policy. This policy has been irrevocably transferred to the Foundation. The Foundation has included within the financial statements the life insurance policy which includes a cash surrender value option. The amount recorded is the cash surrender value that the Foundation is currently entitled to at March 31, 2017.

4. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and furniture	\$ 322,129	\$ 281,716	\$ 40,413	\$ 6,474
	\$ 322,129	\$ 281,716	\$ 40,413	\$ 6,474

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Notes to Financial Statements, page 5

Year ended March 31, 2017

5. Due to Joseph Brant Hospital:

Included in accounts payable and accrued liabilities is \$1,324,499 (2016 - \$1,036,842) due to the Hospital. The amount due represents amounts payable for payment of accounts payable and payroll, and are non-interest bearing, unsecured and without fixed terms of repayment.

Included in the Hospital balance is government remittances payable of \$23,915 (2016 - \$23,747), which includes amounts payable for payroll related taxes.

6. Designated net assets:

Designated net assets are funds subject to externally and internally imposed restrictions. Major categories of imposed restrictions on net assets are as follows:

	2017	2016
Auxiliary to the Joseph Brant Hospital	\$ 1,896,210	\$ 1,586,210
Building Fund	-	724,910
Education and training	-	40,824
Endowment funds	133,898	124,445
Equipment	1,085,837	1,007,802
Mental Health – Child's Adolescent Program	279,974	306,644
Redevelopment related	825,246	604,362
Renovations	191,717	163,107
	4,412,882	4,558,304
Internally restricted by Board	381,938	381,938
	\$ 4,794,820	\$ 4,940,242

Externally imposed restrictions for the Endowment Fund are reflected as \$3,459,747 (2016 - \$459,747) in the Endowment Fund and \$133,898 (2016 - \$124,445) in the Designated Fund.

7. Interfund transfers and internally restricted net assets:

During the year, \$5,000 was transferred from the unrestricted Undesignated Fund to the externally restricted Designated Fund (\$5,000) for fund presentation purposes on the statement of financial position.

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Notes to Financial Statements, page 6

Year ended March 31, 2017

8. Commitments:

(a) Letters of guarantee:

The Foundation has issued two letters of guarantee through its financial institution to provide a guarantee to the City of Burlington and Minister of Finance. The outstanding letters of guarantee are to the City of Burlington for \$49,500 and \$10,000 to the Minister of Finance.

(b) Operating lease commitment:

Effective April 1, 2017, the lot lease between the Hospital and the Foundation was terminated. The parking operations have transferred back to the Hospital with no further commitments required under the parking lot lease.

The Foundation entered into a new lease agreement on October 1, 2015 for office equipment with the term ending in 2019.

The future minimum annual payments under these operating leases consist of the following:

2018	\$	2,065
2019		2,065
2020		-
2021		-
2022		-
	\$	4,130

9. Fundraising revenue:

	2017	2016
Donations	\$ 10,480,830	\$ 10,775,030
Special events	662,732	1,069,298
Lottery	141,276	142,341
	\$ 11,284,838	\$ 11,986,669

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Notes to Financial Statements, page 7

Year ended March 31, 2017

10. Operating expenses:

	2017	2016
Salaries and benefits	\$ 1,554,260	\$ 1,552,848
Fundraising	470,766	477,247
Operating and administrative	415,634	444,791
Depreciation	7,375	31,748
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	\$ 2,448,035	\$ 2,506,634

11. Grants to Joseph Brant Hospital:

The Foundation has committed to raising \$60 million for the Hospital in relation to the Capital Redevelopment Project. During the year the Foundation contributed \$8,500,000 million (2017 cumulative- \$30.7 million) to the Hospital towards this commitment.

Grants to Joseph Brant Hospital were for the following purposes:

	2017	2016
Redevelopment – Local Share Plan	\$ 9,225,000	\$ 2,837,638
Operating Grant	350,000	350,000
Critical Needs Equipment	221,987	145,027
Renovations	443	52,233
Other	331,571	178,817
Parking Operating Grant	605,350	698,784
	<hr/>	<hr/>
	\$ 10,734,351	\$ 4,262,499

The Foundation has an outstanding commitment to the Hospital of \$97,359 at March 31, 2017 (2016 - \$80,417) for equipment and renovation costs. The Foundation has raised and collected some of these funds but the Hospital has not yet incurred these expenditures.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 8

Year ended March 31, 2017

12. Financial instruments:

(a) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The Foundation's investment activities are applied in accordance with investment guidelines and monitored by management and the Board of Directors.

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

13. Change in non-cash operating working capital:

	2017	2016
Accounts receivable	\$ 59,338	\$ (24,969)
HST rebate receivable	3,549	73,567
HST parking receivable	-	119,079
Prepaid expenses	(10,476)	10,598
Account payable and accrued liabilities	(48,808)	483,986
HST payable	(547)	3,353
Grants payable to Joseph Brant Hospital	772,139	(2,047,124)
Deferred revenue	(23,000)	28,000
	<u>\$ 752,195</u>	<u>\$ (1,353,510)</u>