

Financial Statements of

**JOSEPH BRANT  
HOSPITAL FOUNDATION**

Years ended March 31, 2013 and 2012



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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 statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, and the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

Hamilton, Canada

May 27, 2013

# JOSEPH BRANT HOSPITAL FOUNDATION

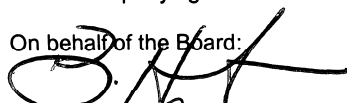
Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 19,152,626	\$ 21,094,583	\$ 19,299,374
Accounts receivable	135,599	-	-
HST rebate receivable	135,000	41,252	22,895
Prepaid expenses	17,407	-	-
	19,440,632	21,135,835	19,322,269
Capital assets, net (note 3)	160,327	25,543	34,837
	\$ 19,600,959	\$ 21,161,378	\$ 19,357,106
<b>Liabilities and fund balances</b>			
Current liabilities:			
Accounts payable and accrued liabilities (note 4)	\$ 1,048,829	\$ 1,753,675	\$ 569,563
Grants payable to Joseph Brant Hospital	913,539	3,047,157	1,882,789
Deferred revenue	69,667	-	-
	2,032,035	4,800,832	2,452,352
Fund balances:			
Investment in capital assets	160,327	25,543	34,837
Externally restricted (note 5)	3,345,676	3,088,008	2,495,366
Internally restricted (note 6)	12,971,784	13,271,784	14,290,290
Unrestricted	1,091,137	(24,789)	84,261
	17,568,924	16,360,546	16,904,754
Commitments (notes 7 and 9)			
	\$ 19,600,959	\$ 21,161,378	\$ 19,357,106

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# JOSEPH BRANT HOSPITAL FOUNDATION

Statements of Operations and Changes in Fund Balances

Years ended March 31, 2013 and 2012

	Undesignated fund	Designated fund	Parking fund	Endowment fund	2013 Total
<b>Revenues:</b>					
Donations	\$ 3,953,821	\$ 908,622	\$ -	\$ 500	\$ 4,862,943
Parking	-	-	1,686,458	-	1,686,458
Investment loss	(189,967)	(1,952)	-	-	(191,919)
	3,763,854	906,670	1,686,458	500	6,357,482
<b>Expenses:</b>					
Operating (note 8)	2,188,244	-	-	-	2,188,244
Parking	-	-	1,416,561	-	1,416,561
	2,188,244	906,670	1,416,561	-	3,604,805
Excess of revenues over expenses	1,575,610	906,670	269,897	500	2,752,677
Fund balance, beginning of year	754	2,632,073	-	13,727,719	16,360,546
Grants (note 9)	(324,900)	(649,502)	(269,897)	(300,000)	(1,544,299)
Fund balance, end of year	\$ 1,251,464	\$ 2,889,241	\$ -	\$ 13,428,219	\$ 17,568,924
<b>2012</b>					
	Undesignated fund	Designated fund	Parking fund	Endowment fund	2012 Total
<b>Revenues:</b>					
Donations	\$ 1,121,040	\$ 2,878,605	\$ -	\$ 500	\$ 4,000,145
Investment loss	(234,322)	(38,121)	-	-	(272,443)
	886,718	2,840,484	-	500	3,727,702
<b>Expenses:</b>					
Operating (note 8)	495,042	1,962,500	-	-	2,457,542
Excess of revenues over expenses	391,676	877,984	-	500	1,270,160
Fund balance, beginning of year	119,098	2,039,931	-	14,745,725	16,904,754
Grants (note 9)	(250,000)	(1,564,368)	-	-	(1,814,368)
Interfund transfers (note 6)	(260,020)	1,278,526	-	(1,018,506)	-
Fund balance, end of year	\$ 754	\$ 2,632,073	\$ -	\$ 13,727,719	\$ 16,360,546

See accompanying notes to financial statements.

# JOSEPH BRANT HOSPITAL FOUNDATION

## Statements of Cash Flow

Years ended March 31, 2013 and 2012

	2013	2012
Cash and investments provided by (used in):		
Operations:		
Donations, net of expenses	\$ 2,674,699	\$ 1,542,603
Parking, net of expenses	269,897	-
Investment loss	(191,919)	(272,443)
Depreciation, not requiring cash	22,158	9,294
Loss on disposal of capital assets	7,190	-
Changes in non-cash working capital	(3,015,551)	2,330,123
	(233,526)	3,609,577
Investing activities:		
Purchase of capital assets	(164,132)	-
Grants to Joseph Brant Hospital	(1,544,299)	(1,814,368)
(Decrease) increase in cash and investments	(1,941,957)	1,795,209
Cash and investments, beginning of year	21,094,583	19,299,374
Cash and investments, end of year	\$ 19,152,626	\$ 21,094,583

See accompanying notes to the financial statements.

# JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Years ended March 31, 2013 and 2012

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## 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.

On April 1, 2012, the Foundation adopted Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with the not-for-profit standards.

In accordance with the transitional provisions in the not-for-profit standards, the Foundation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying the not-for-profit standards.

There were no adjustments to fund balances as at April 1, 2011 or excess of revenues over expenses for the year ending March 31, 2012 as a result of the transition.

## 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 CICA 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 on the internally restricted portion of the Endowment Funds is recorded in the Undesignated Fund.

All of the Foundation's salaries and benefits and other operating expenses are charged to the Undesignated Fund. In the prior year, half of the Foundation's salaries and benefits, and none of the Foundation's other operating expenses were charged to the Undesignated Fund.

#### **Designated Fund**

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

# JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 2

Years ended March 31, 2013 and 2012

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## 2. Significant accounting policies (continued):

### (a) Fund accounting:

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 prior year, half of the Foundation's salaries and benefits and all of the Foundation's other operating expenses were charged to the Designated Fund.

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 \$387,490 (2012 - \$285,510) to the Designated Fund.

### **Parking Fund**

The Parking Fund records the revenues and expenses of the parking operations at the Hospital. The operations were transferred to the Foundation on August 1, 2012. 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). In addition, the Endowment Funds record resources that have been contributed to the Undesignated Funds and are transferred by the Board of Directors as internally restricted. Investment income earned on these funds is recorded in the Undesignated Funds (for income earned on the internally restricted portion) and in the Designated Funds (for that portion which is externally restricted).

### (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).

The total cost of cash and investments at March 31, 2013 is \$19,103,440 (2012 - \$20,818,707, 2011 - \$18,494,727).



# JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 3

Years ended March 31, 2013 and 2012

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## 2. Significant accounting policies (continued):

### (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 Joseph Brant Hospital are recorded at fair value at the time of receipt.

### (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 restricted 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 earned on the internally restricted Endowment Fund resources is recognized as revenue in the Undesignated 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

Years ended March 31, 2013 and 2012

## 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. Capital assets:

			March 31, 2013
	Cost	Accumulated amortization	Net book value
Equipment and furniture	\$ 302,201	\$ 256,589	\$ 45,612
Leasehold improvements	125,144	10,429	114,715
	\$ 427,345	\$ 267,018	\$ 160,327

			March 31, 2012
	Cost	Accumulated amortization	Net book value
Equipment and furniture	\$ 263,276	\$ 245,289	\$ 17,987
Leasehold improvements	8,889	1,333	7,556
	\$ 272,165	\$ 246,622	\$ 25,543

# JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 5

Years ended March 31, 2013 and 2012

### 3. Capital assets (continued):

			March 31, 2011
	Cost	Accumulated amortization	Net book value
Equipment and furniture	\$ 263,276	\$ 236,439	\$ 26,837
Leasehold improvements	8,889	889	8,000
	\$272,165	\$ 237,328	\$ 34,837

### 4. Due to Joseph Brant Hospital:

Included in accounts payable and accrued liabilities is \$1,029,758 (2012 - \$1,587,101, 2011 - \$479,855) due to Joseph Brant 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 due to Joseph Brant Hospital balance are government remittances payable of \$10,111 (2012 - \$10,454), which includes amounts payable for payroll related taxes.

### 5. Externally restricted net assets:

Externally restricted net assets are funds subject to externally imposed restrictions. Major categories of externally imposed restrictions on net assets are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Auxiliary to the Joseph Brant Hospital	\$ 596,895	\$ 510,591	\$ 452,676
Building Fund	708,449	680,897	128,245
Endowment Funds	555,366	561,732	524,331
Equipment	1,235,612	895,406	922,752
Renovations	249,354	439,382	467,362
	\$ 3,345,676	\$ 3,088,008	\$ 2,495,366

Externally imposed restrictions for the Endowment Fund are reflected as \$456,435 (2012 - \$455,935, 2011 - \$455,435) in the Endowment Fund and \$98,931 (2012 - \$105,797, 2011 - \$68,896) in the Designated Fund.

# JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 6

Years ended March 31, 2013 and 2012

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## 6. Interfund transfers and internally restricted net assets:

During the year, no unrestricted donations or investment income earned on the internally restricted portion of the Endowment Fund, were internally restricted for endowment purposes (2012 - \$560,020). These internally restricted amounts are not available for unrestricted purposes without approval of the Board of Directors.

In the prior year, \$1,578,526 was transferred from the internally restricted portion of the Endowment Fund to: i) the unrestricted Undesignated Fund, in the amount of \$300,000 to fund an operational grant to the Hospital; and, ii) the externally restricted Designated Fund, in the amount of \$1,278,526 to fund capital purchases for diagnostic imaging equipment, critical needs equipment, and operational expenses.

## 7. Commitments:

### (a) Letter of guarantee:

The Foundation has issued a letter of guarantee through its financial institution to provide a guarantee to the City of Burlington. The outstanding letter of guarantee is for \$49,500.

### (b) Operating lease commitment:

The Foundation is committed to leasing the parking lot spaces of the Hospital as a result of the transfer of operations on August 1, 2012 to July 31, 2032. The monthly lease payable is \$125,000.

The Foundation has entered into various lease agreements for rental space and office equipment with terms ending in 2017.

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

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2014	\$ 1,588,578
2015	1,588,578
2016	1,588,578
2017	1,588,578
2018	1,552,183
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	\$ 7,906,495

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# JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 7

Years ended March 31, 2013 and 2012

## 8. Operating expenses:

	2013	2012
Salaries and benefits	\$ 1,103,536	\$ 990,084
Printing, mailing and other fundraising	1,062,550	1,458,164
Depreciation	22,158	9,294
	<u>\$ 2,188,244</u>	<u>\$ 2,457,542</u>

## 9. Grants to Joseph Brant Hospital:

Grants to Joseph Brant Hospital were for the following purposes:

	March 31, 2013	March 31, 2012
Critical Needs Equipment	\$ 515,026	\$ 1,134,961
Renovations	208,376	-
Endowment Equipment	-	3,726
Diagnostic Imaging Equipment	300,000	300,000
Operating Grant	250,000	265,000
Other	1,000	110,681
Parking Operating Grant	269,897	-
	<u>\$ 1,544,299</u>	<u>\$ 1,814,368</u>

The Foundation has an outstanding commitment to the Hospital of \$327,533 at March 31, 2013 (2012 - \$547,758) 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

Years ended March 31, 2013 and 2012

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## 10. 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.