

Financial Statements of

**JOSEPH BRANT
HOSPITAL FOUNDATION**

Year ended March 31, 2016



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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, 2016, 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, 2016, 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 16, 2016

JOSEPH BRANT HOSPITAL FOUNDATION


Statement of Financial Position


March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 14,779,163	\$ 9,971,246
Accounts receivable	206,065	184,962
HST rebate receivable	50,374	123,941
HST parking receivable	-	119,079
Prepaid expenses	8,102	18,700
	<u>15,043,704</u>	<u>10,417,928</u>
Capital assets, net (note 3)	6,474	89,120
	<u>\$ 15,050,178</u>	<u>\$ 10,507,048</u>
Liabilities and fund balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 1,438,984	\$ 958,864
HST payable	16,046	12,693
Grants payable to Joseph Brant Hospital	433,196	2,480,320
Deferred revenue	28,000	-
	<u>1,916,226</u>	<u>3,451,877</u>
Fund balances:		
Undesignated fund	7,733,963	2,441,413
Designated fund (note 5)	4,940,242	4,156,011
Endowment fund	459,747	457,747
	<u>13,133,952</u>	<u>7,055,171</u>
Commitments (notes 7 and 10)		
	<u>\$ 15,050,178</u>	<u>\$ 10,507,048</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, 2016, with comparative information for 2015

	Undesignated fund	Designated fund	Parking fund	Endowment fund	2016 Total	2015 Total
Revenues:						
Fundraising revenue (note 8)	\$ 10,968,056	\$ 1,017,613	\$ -	\$ 1,000	\$ 11,986,669	\$ 8,637,118
Parking	-	-	2,866,987	-	2,866,987	2,820,686
Investment income	144,845	17,616	-	-	162,461	160,181
	11,112,901	1,035,229	2,866,987	1,000	15,016,117	11,617,985
Expenses:						
Operating (note 9)	2,506,634	-	-	-	2,506,634	2,473,422
Parking (note 7(b))	-	-	2,168,203	-	2,168,203	2,250,987
	2,506,634	-	2,168,203	-	4,674,837	4,724,409
Excess of revenues over expenses before grants	8,606,267	1,035,229	698,784	1,000	10,341,280	6,893,576
Grants (note 10)	(3,289,833)	(273,882)	(698,784)	-	(4,262,499)	(11,384,654)
Excess of revenues over expenses (expenses over revenue)	5,316,434	761,347	-	1,000	6,078,781	(4,491,078)
Fund balance, beginning of year	2,441,413	4,156,011	-	457,747	7,055,171	11,546,249
Interfund transfers (note 6)	(23,884)	22,884	-	1,000	-	-
Fund balance, end of year	\$ 7,733,963	\$ 4,940,242	\$ -	\$ 459,747	\$ 13,133,952	\$ 7,055,171

See accompanying notes to financial statements.

JOSEPH BRANT HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Donations, net of expenses	\$ 9,480,035	\$ 6,163,696
Parking, net of expenses	698,784	569,699
Investment income	162,461	160,181
Depreciation, not requiring cash	31,748	39,427
Loss on sale of furniture	2,906	-
Write down of leasehold improvements	41,715	-
Changes in non-cash working capital	(1,353,510)	741,686
	9,064,139	7,674,689
Investing activities:		
Purchase of capital assets	(367)	(3,102)
Proceeds from sale of furniture	6,644	-
	6,277	(3,102)
Grants to Joseph Brant Hospital	(4,262,499)	(11,384,654)
Increase (decrease) in cash	4,807,917	(3,713,067)
Cash, beginning of year	9,971,246	13,684,313
Cash, end of year	\$ 14,779,163	\$ 9,971,246

See accompanying notes to the financial statements.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2016

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 \$314,324 (2015 - \$346,625) to the Designated Fund.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 2

Year ended March 31, 2016

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.

(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.

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Year ended March 31, 2016

2. Significant accounting policies (continued):

(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.

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.

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Year ended March 31, 2016

3. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and furniture	\$ 280,814	\$ 274,340	\$ 6,474	\$ 24,462
Leasehold improvements	-	-	-	64,658
	\$ 280,814	\$ 274,340	\$ 6,474	\$ 89,120

4. Due to Joseph Brant Hospital:

Included in accounts payable and accrued liabilities is \$1,036,842 (2015 - \$937,341) 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 \$23,747 (2015 - \$14,050), which includes amounts payable for payroll related taxes.

5. 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:

	2016	2015
Auxiliary to the Joseph Brant Hospital	\$ 1,586,210	\$ 1,273,085
Building Fund	724,910	724,910
Education and training	40,824	125,000
Endowment funds	124,445	115,250
Equipment	1,007,802	882,597
Mental Health – Child's Adolescent Program	306,644	146,440
Redevelopment related	604,362	344,941
Renovations	163,107	161,850
	4,558,304	3,774,073
Internally restricted by Board	381,938	381,938
	\$ 4,940,242	\$ 4,156,011

Externally imposed restrictions for the Endowment Fund are reflected as \$459,747 (2015 - \$457,747) in the Endowment Fund and \$124,445 (2015 - \$115,250) in the Designated Fund.

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Year ended March 31, 2016

6. Interfund transfers and internally restricted net assets:

During the year, \$102,116 was transferred from the externally restricted Designated Fund to the unrestricted Undesignated Fund to fund the capital purchases related to the redevelopment. An additional \$126,000 was transferred from the unrestricted Undesignated Fund to the externally restricted Designated Fund (\$125,000) and externally restricted portion of the Endowment Fund (\$1,000) for fund presentation purposes on the statement of financial position.

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 entered into a new lease agreement on October 1, 2015 for office equipment with the term ending in 2019. The Foundation's lease for office space ended on February 28, 2016.

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

2017	\$ 1,502,065
2018	1,502,065
2019	1,502,065
2020	1,500,000
2021	1,500,000
	<hr/>
	\$ 7,506,195

8. Fundraising revenue:

	2016	2015
Donations	\$10,775,030	\$ 7,020,488
Special events	1,069,298	1,489,382
Lottery	142,341	127,248
	<hr/>	
	\$11,986,669	\$ 8,637,118

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Year ended March 31, 2016

9. Operating expenses:

	2016	2015
Salaries and benefits	\$ 1,552,848	\$ 1,353,092
Fundraising	477,247	811,320
Operating and administrative	444,791	269,583
Depreciation	31,748	39,427
	<u>\$ 2,506,634</u>	<u>\$ 2,473,422</u>

10. 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 \$5.0 million (2016 cumulative-\$22.2 million) to the Hospital towards this commitment.

Grants to Joseph Brant Hospital were for the following purposes:

	2016	2015
Redevelopment – Local Share Plan	\$ 2,837,638	\$ 10,014,597
Operating Grant	350,000	361,064
Critical Needs Equipment	145,027	316,550
Renovations	52,233	78,628
Other	178,817	44,116
Parking Operating Grant	698,784	569,699
	<u>\$ 4,262,499</u>	<u>\$ 11,384,654</u>

The Foundation has an outstanding commitment to the Hospital of \$80,417 at March 31, 2016 (2015 - \$26,875) for equipment and renovation costs. The Foundation has raised and collected some of these funds but the Hospital has not yet incurred these expenditures.

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Year ended March 31, 2016

11. 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.

12. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.