

Financial Statements of

**JOSEPH BRANT
HOSPITAL FOUNDATION**

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of Joseph Brant Hospital Foundation

Qualified Opinion

We have audited the accompanying financial statements of Joseph Brant Hospital Foundation (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statement of financial position as at March 31, 2019
- the fundraising revenues and excess of revenues over expenses reported in the statement of operations and changes in fund balances for the year ended March 31, 2019



- the fund balances reported in the statement of operations and changes in fund balances for the year ended March 31, 2019
- the excess of revenues over expenses reported in the statement of cash flows for the year ended March 31, 2019

Our opinion on the financial statements for the year ended March 31, 2019 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditors' Responsibilities for the Audit of the Financial Statements"* section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
May 29, 2019

JOSEPH BRANT HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,144,835	\$ 12,788,982
Accounts receivable	16,081	25,806
HST rebate receivable	23,084	15,756
Cash surrender value (note 3)	1,705,345	1,259,228
Prepaid expenses	30,350	11,630
Investments (note 4)	6,602,429	-
Total current assets	17,522,124	14,101,402
Capital assets, net (note 5)	39,604	37,200
Total assets	\$ 17,561,728	\$ 14,138,602

Liabilities and fund balances

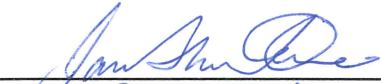
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 711,370	\$ 619,793
HST payable	85	39
Grants payable to Joseph Brant Hospital	1,930,331	344,904
Deferred revenue	25,000	-
Total current liabilities	2,666,786	964,736
Fund balances:		
Undesignated fund	8,457,543	4,539,961
Designated fund (note 7)	1,832,720	4,156,901
Endowment fund	4,604,679	4,477,004
Total fund balances	14,894,942	13,173,866

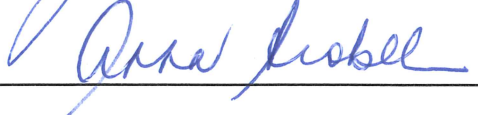
Commitments (notes 9 and 12)

Total liabilities and fund balances	\$ 17,561,728	\$ 14,138,602
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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, 2019, with comparative information for 2018

	Undesignated fund	Designated fund	Endowment fund	2019 Total	2018 Total
Revenues:					
Fundraising revenue (note 10)	\$ 11,142,195	\$ 1,845,391	\$ -	\$ 12,987,586	\$ 11,390,004
Investment income (loss)	290,169	64,286	(62,354)	292,101	242,010
Unrealized gain on investments	-	-	137,779	137,779	-
	11,432,364	1,909,677	75,425	13,417,466	11,632,014
Expenses:					
Operating (note 11)	2,294,340	-	-	2,294,340	2,510,229
cExcess of revenues over expenses before grants	9,138,024	1,909,677	75,425	11,123,126	9,121,785
Grants (note 12)	(5,230,980)	(4,171,070)	-	(9,402,050)	(8,081,425)
Excess of revenues over expenses (expenses over revenue)	3,907,044	(2,261,393)	75,425	1,721,076	1,040,360
Fund balance, beginning of year	4,539,961	4,156,901	4,477,004	13,173,866	12,133,506
Interfund transfers (note 8)	10,538	(62,788)	52,250	-	-
Fund balance, end of year	\$ 8,457,543	\$ 1,832,720	\$ 4,604,679	\$ 14,894,942	\$ 13,173,866

See accompanying notes to financial statements.

JOSEPH BRANT HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Donations, net of expenses	\$ 10,693,246	\$ 8,879,775
Investment income	292,101	242,010
Increase in cash surrender value	(446,117)	(372,643)
Depreciation, not requiring cash	11,400	10,763
Write down of furniture and fixtures	-	2,222
Changes in non-cash working capital (note 14)	1,685,727	(1,492,336)
	12,236,357	7,269,791
Investing activities:		
Purchase of capital assets	(13,804)	(9,772)
Purchase of investments	(6,527,004)	-
Decrease in cost basis of investments	62,354	-
	(6,478,454)	(9,772)
Grants to Joseph Brant Hospital	(9,402,050)	(8,081,425)
Decrease in cash and cash equivalents	(3,644,147)	(821,406)
Cash and cash equivalents, beginning of year	12,788,982	13,610,388
Cash and cash equivalents, end of year	\$ 9,144,835	\$ 12,788,982

See accompanying notes to the financial statements.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

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 urgent funding needs of the Joseph Brant Hospital ("Hospital"). During fiscal 2019, the Foundation completed 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, certain restricted funds and internally restricted 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.

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.

As of April 1, 2018 the Auxiliary to the Joseph Brant Hospital has been wound up and no longer contributes to the Designated Fund. In fiscal 2018, prior to its wind-up, the Auxiliary to the Joseph Brant Hospital contributed \$280,305 to the Designated Fund.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 2

Year ended March 31, 2019

2. Significant accounting policies (continued):

(a) Fund accounting (continued):

Endowment Fund

The Endowment Fund records 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. As of November 1, 2018 the principal portion of the endowment was invested in an investment portfolio whereby any market fluctuations will be recorded in the Endowment Fund.

(b) 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.

(c) 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 prior to November 1, 2018 which are externally restricted is recognized as revenue in the Designated Fund. Subsequent to November 1, 2018 the investment income earned on the Endowment Fund principal invested in an investment portfolio is recognized as revenue in the Endowment 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.

(d) 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.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 3

Year ended March 31, 2019

2. Significant accounting policies (continued):

(e) 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.

(f) 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, 2019.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 4

Year ended March 31, 2019

4. Investments:

	2019 Cost	2019 Market	% of Total
Cash & Cash Equivalents	\$ 2,240,647	\$ 2,256,321	34%
Fixed Income	1,901,751	2,253,060	34%
Equities	1,974,593	2,093,048	32%
	\$ 6,116,991	\$ 6,602,429	100%

	2019	2018
Change in investments during the year:		
Purchase of investments	\$ 6,527,004	\$ -
Interest earned	(62,354)	-
Increase in unrealized gains and losses	137,779	-
	\$ 6,602,429	\$ -

5. Capital assets:

	2019			2018	
	Cost	Accumulated amortization	Net book value		Net book value
Equipment and furniture	\$ 342,742	\$ 303,138	\$ 39,604	\$	37,200

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 5

Year ended March 31, 2019

6. Due to Joseph Brant Hospital:

Included in accounts payable and accrued liabilities is \$682,267 (2018 - \$595,978) due to the Joseph Brant Hospital (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. These amounts are measured at the exchange amount at the time of the transaction.

Included in the Hospital balance is government remittances payable of \$25,205 (2018 - \$24,215), which includes amounts payable for payroll related taxes.

7. 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:

	2019	2018
Auxiliary to the Joseph Brant Hospital	\$ -	\$ 1,972,195
Education and training	129,718	127,195
Endowment funds	165,829	205,673
Equipment	575,017	1,487,105
Mental Health – Child's Adolescent Program	173,814	272,321
Redevelopment related	-	22,072
Renovations	788,342	70,340
	\$ 1,832,720	\$ 4,156,901

Externally imposed restrictions for the Endowment Fund are reflected as \$4,604,679 (2018 - \$4,477,004) in the Endowment Fund and \$165,829 (2018 - \$205,673) in the Designated Fund.

8. Interfund transfers and internally restricted net assets:

During the year, the following interfund transfers took place:

- \$100,042 was transferred from the Designated Fund to the unrestricted Undesignated Fund in adherence to the Designated Gift Allocation policy.
- \$52,250 was transferred from the unrestricted Undesignated Fund to the externally restricted Endowment Fund to reflect endowed funds received.
- \$13,762 was transferred from the unrestricted Undesignated Fund to the Designated Fund reflecting interest earned on the endowed funds.
- \$23,492 was transferred from the unrestricted Undesignated Fund to the Designated Fund to reflect the net proceeds from an internal event to be designated.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 6

Year ended March 31, 2019

9. Commitments:

(a) Letter of guarantee:

The Foundation has 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 entered into a new lease agreement on April 1, 2019 for office equipment with the term ending in 2024.

The future minimum annual payments under this operating lease consist of the following:

2020	\$	2,065
2021		2,065
2022		2,065
2023		2,065
2024		2,065
	\$	10,325

10. Fundraising revenue:

	2019	2018
Donations	\$ 11,998,194	\$ 10,435,144
Special events	827,257	809,651
Lottery	162,135	145,209
	\$ 12,987,586	\$ 11,390,004

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements, page 7

Year ended March 31, 2019

11. Operating expenses:

	2019	2018
Salaries and benefits	\$ 1,557,665	\$ 1,557,324
Fundraising	364,631	657,974
Operating and administrative	360,644	284,168
Depreciation	11,400	10,763
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	\$ 2,294,340	\$ 2,510,229

12. 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 \$6,512,637 (2018 - \$6,659,947) to the Hospital towards this commitment. Cumulative contributions to the project as at March 31, 2019 total approximately \$44.6 million.

Grants to Joseph Brant Hospital were for the following purposes:

	2019	2018
Capital Redevelopment – Local Share Plan	\$ 6,512,637	\$ 6,659,947
Operating Grant	350,000	350,000
Critical Needs Equipment	1,889,922	930,039
Renovations	391,435	7,500
Other	258,056	133,939
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	\$ 9,402,050	\$ 8,081,425

The Foundation has an outstanding commitment to the Hospital of \$236,620 at March 31, 2019 (2018 - \$214,430) for equipment. 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, 2019

13. 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 the Foundation's investment policy 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.

14. Change in non-cash operating working capital:

	2019	2018
Accounts receivable	\$ 9,725	\$ 120,921
HST rebate receivable	(7,328)	31,069
Prepaid expenses	(18,720)	6,948
Account payable and accrued liabilities	91,577	(770,383)
HST payable	46	(15,460)
Grants payable to Joseph Brant Hospital	1,585,427	(860,431)
Deferred revenue	25,000	(5,000)
	<u>\$ 1,685,727</u>	<u>\$(1,492,336)</u>