

Financial Statements of

**ORILLIA SOLDIERS' MEMORIAL
HOSPITAL FOUNDATION**

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of
Orillia Soldiers' Memorial Hospital Foundation

We have audited the accompanying financial statements of Orillia Soldiers' Memorial Hospital Foundation, which comprise the statement of financial position as at March 31, 2017, 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 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 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 audit opinion.



Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Orillia Soldiers' Memorial 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

June 28, 2017
Sudbury, Canada

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	General Fund	Restricted Fund	Endowment Funds	2017	2016
Assets					
Cash (note 2)	\$ 403,648	-	13,545	417,193	427,521
Accounts receivable	206,798	-	-	206,798	21,451
Prepaid expenses	17,906	-	-	17,906	12,398
	628,352	-	13,545	641,897	461,370
Investments (note 3)	3,623,838	-	1,784,478	5,408,316	5,503,625
Capital assets (note 4)	514,041	-	-	514,041	543,563
Due (to) from general fund	(2,178,316)	2,178,316	-	-	-
	\$ 2,587,915	2,178,316	1,798,023	6,564,254	6,508,558
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 16,475	-	-	16,475	10,532
Deferred revenue	95,588	-	-	95,588	28,615
Payable to Orillia Soldiers' Memorial Hospital (note 5)	1,617,729	-	-	1,617,729	718,016
	1,729,792	-	-	1,729,792	757,163
Fund balances:					
Externally restricted	-	2,178,316	1,798,023	3,976,339	4,983,810
Unrestricted	858,123	-	-	858,123	767,585
	858,123	2,178,316	1,798,023	4,834,462	5,751,395
	\$ 2,587,915	2,178,316	1,798,023	6,564,254	6,508,558

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

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

	2017		2016		Endowment Funds						2017	2016
	General Fund		Restricted Fund		Education		Family Practice		Designated		Total	Total
Revenue:												
Donations	\$ 731,496	515,455	1,207,764	1,514,770	6,880	10,426	-	263	2,480	92	1,948,620	2,041,006
Bequests	5,000	430,183	-	-	-	-	-	-	542,246	-	547,246	430,183
Investment income	95,421	125,476	-	-	98,571	12,844	7,708	1,002	39,490	235	241,190	139,557
Special events	220,799	296,089	-	-	-	-	-	-	-	-	220,799	296,089
Rental income	23,026	22,876	-	-	-	-	-	-	-	-	23,026	22,876
	1,075,742	1,390,079	1,207,764	1,514,770	105,451	23,270	7,708	1,265	584,216	327	2,980,881	2,929,711
Expenses:												
General and office Administration	16,601	12,752	-	-	-	-	-	-	-	-	16,601	12,752
Promotion, advertising and marketing	-	-	15,645	8,051	6,001	5,574	469	432	2,496	95	24,611	14,152
Insurance	40,137	37,861	-	-	-	-	-	-	-	-	40,137	37,861
Legal, accounting and professional fees	7,179	7,004	-	-	-	-	-	-	-	-	7,179	7,004
Meeting, education, dues and travel	29,392	19,724	-	-	-	-	-	-	-	-	29,392	19,724
Wages and benefits	22,073	31,995	-	-	-	-	-	-	-	-	22,073	31,995
Campaign	491,265	457,196	-	-	-	-	-	-	-	-	491,265	457,196
Property and occupancy	41,092	12,455	-	-	-	-	-	-	-	-	41,092	12,455
Special events	20,909	20,754	-	-	-	-	-	-	-	-	20,909	20,754
Direct mail	67,037	86,273	-	-	-	-	-	-	-	-	67,037	86,273
Donations - other	44,142	45,404	-	-	-	-	-	-	-	-	44,142	45,404
Amortization of capital assets	18,467	11,794	10,000	-	-	-	-	-	-	-	28,467	11,794
	29,522	31,330	-	-	-	-	-	-	-	-	29,522	31,330
	827,816	774,542	25,645	8,051	6,001	5,574	469	432	2,496	95	862,427	788,694
Transfer to Orillia Soldiers' Memorial Hospital	(98,651)	(2,587,513)	(2,933,855)	(1,220,812)	(2,881)	(5,000)	-	-	-	-	(3,035,387)	(3,813,325)
Loss on disposal of capital assets	-	(4,154)	-	-	-	-	-	-	-	-	-	(4,154)
Excess (deficiency) of revenue over expenses	149,275	(1,976,130)	(1,751,736)	285,907	96,569	12,696	7,239	833	581,720	232	(916,933)	(1,676,462)
Fund balances, beginning of year	767,585	2,747,315	3,874,915	3,589,008	1,011,443	997,547	79,064	77,031	18,388	16,956	5,751,395	7,427,857
Interfund transfers	(58,737)	(3,600)	55,137	-	1,200	1,200	1,200	1,200	1,200	1,200	-	-
Fund balances, end of year	\$ 858,123	767,585	2,178,316	3,874,915	1,109,212	1,011,443	87,503	79,064	601,308	18,388	4,834,462	5,751,395

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Statement of Cash Flows

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

	2017	2016
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (916,933)	(1,676,462)
Adjustments for:		
Loss on disposal of capital assets	-	4,154
Amortization of capital assets	29,522	31,330
Unrealized loss (gain) on investments	(56,876)	9,298
	(944,287)	(1,631,680)
Changes in non-cash working capital:		
Increase in accounts receivable	(185,347)	(620)
Increase in prepaid expenses	(5,508)	(769)
Increase in accounts payable and accrued liabilities	5,943	4,567
Increase (decrease) in deferred revenue	66,973	(25,735)
Increase (decrease) in payable to Orillia Soldiers' Memorial Hospital	899,713	(480,208)
	(162,513)	(2,134,445)
Investing activities:		
Decrease in investments	152,185	1,491,094
Proceeds from sale of capital assets	-	8,048
Purchase of capital assets	-	(17,966)
	152,185	1,481,176
Net decrease in cash	(10,328)	(653,269)
Cash position, beginning of year	427,521	1,080,790
Cash position, end of year	\$ 417,193	427,521

See accompanying notes to financial statements.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

The Orillia Soldiers' Memorial Hospital Foundation (the "Foundation") was incorporated without share capital under the laws of Ontario. The Foundation is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

The Foundation is principally involved in raising funds for the benefit of the Orillia Soldiers' Memorial Hospital. The fund balances and operations of the Foundation are ultimately for the benefit of the Orillia Soldiers' Memorial Hospital. The Foundation is an independent legal entity from the Hospital and therefore these financial statements have not been consolidated with the Hospital.

1. Significant accounting policies:

These 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 - Accounting. The Foundation's significant accounting policies are as follows:

(a) Basis of presentation:

In order to ensure observance and restrictions placed on the use of resources, the accounts are maintained in accordance with the principles of fund accounting.

The General Fund accounts for the Foundation's program delivery, fundraising and administrative activities. This fund reports unrestricted resources.

The Restricted Fund reports resources that are to be used for designated purposes specified by the donor.

The Endowment Fund reports resources contributed for endowment. Investment income earned on resources of the Endowment Fund is reported as income of the Fund.

- (i) The Education Endowment Fund has been established to support staff, physician and general education for Orillia Soldiers' Memorial Hospital. The education endowment categories are the Linda Lewis, Brian McGugan, Michael "Keyman" McParland, and general use.
- (ii) The Dr. A. Charles Baillie & Mr. Wm. A. Hume Family Practice Fund has been established for the purpose of supporting physician recruitment.
- (iii) The Designated Endowment Fund has been established to support various programs within the hospital such as the teddy bear fund.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(b) Revenue recognition:

The financial statements are prepared according to the restricted fund method of accounting. Under this method, the following principles have been applied.

- Contributions are recorded as revenue in the respective funds based on their nature, source and the restrictions stipulated by the donor.
- Contributions including pledges and donations are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.
- In-kind donations are recorded at their appraised value.

(c) Contributed services:

Contributions of services are not recognized in the financial statements.

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are amortized on a straight-line basis over their estimated useful life as follows:

	Estimated Useful Lives - Years
Buildings	25
Computer equipment	3
Computer software	2
Furniture and equipment	10

(e) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates. These estimates are reviewed annually, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(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 elected to carry its investments at fair value. Fair value is determined at quoted market prices.

Sales and purchases of financial instruments are recorded on the settlement date. Transaction costs incurred on the acquisition of financial instruments are expensed as incurred.

2. Cash:

The Foundation's bank accounts are held at one chartered bank. The bank accounts earn interest at a variable rate.

3. Investments:

Investments consist of:

	March 31, 2017		March 31, 2016	
	Cost	Market Value	Cost	Market Value
Guaranteed investment certificates	\$ 2,707,565	2,708,090	3,939,779	3,940,308
Equity	2,614,673	2,671,024	1,521,872	1,512,046
Cash	539	539	4,047	4,047
Accrued interest	28,664	28,663	47,224	47,224
	\$ 5,351,441	5,408,316	5,512,922	5,503,625

The guaranteed investment certificates earn interest at rates ranging from 0.75% to 2.77% and mature between 2017 and 2019.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

4. Capital assets:

	2017		
	Cost	Accumulated amortization	Net book value
Land	\$ 175,000	\$ –	\$ 175,000
Buildings	443,774	125,938	317,836
Computer equipment	45,895	41,489	4,406
Furniture and equipment	30,494	13,695	16,799
Computer software	21,798	21,798	–
	<u>\$ 716,961</u>	<u>\$ 202,920</u>	<u>\$ 514,041</u>

	2016		
	Cost	Accumulated amortization	Net book value
Land	\$ 175,000	\$ –	\$ 175,000
Buildings	443,774	108,187	335,587
Computer equipment	45,895	32,652	13,243
Furniture and equipment	30,494	10,761	19,733
Computer software	21,798	21,798	–
	<u>\$ 716,961</u>	<u>\$ 173,398</u>	<u>\$ 543,563</u>

5. Related party transactions:

The Foundation receives and maintains funds to provide for education, research and the enhancements of facilities and services at Orillia Soldiers' Memorial Hospital. During the year, the Foundation transferred \$3,035,387 (2016 - \$3,813,325) to the Orillia Soldiers' Memorial Hospital.

At year end, there was a balance of \$1,617,729 (2016 - \$718,016) due to Orillia Soldiers' Memorial Hospital.

The Foundation provides the Orillia Soldiers' Memorial Hospital with office space and equipment free of charge. The fair market value of such space is \$25,797 (2016 - \$25,927).

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

6. Financial risk and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to credit risk with respect to the accounts receivable. The Foundation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(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. There has been no change to the risk exposures from 2016.

(c) Interest rate risk:

The Foundation is not exposed to any significant interest rate risk.

7. Capital disclosures:

The Foundation considers its capital to be its fund balances, including general, restricted and endowment fund balances. The Foundation receives externally restricted donations from numerous donors to be used for specific purposes. These funds are maintained and disbursed under the terms of the relevant funding restrictions and management is responsible for adhering to the provisions of these restrictions.

In managing its capital, the Foundation's primary objective is to fundraise in support of Orillia Soldiers' Memorial Hospital in order to safeguard its ability to continue as a going concern so it can continue to fulfill its mandate. The Foundation has developed specific investment policies to maintain its capital based on the intended purpose of the funds. In addition, annual budgets are developed and monitored to ensure the capital of the Foundation is maintained at an appropriate level.