

NORTHUMBERLAND HILLS HOSPITAL FOUNDATION

FINANCIAL STATEMENTS

MARCH 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Members of Northumberland Hills Hospital Foundation

We have audited the accompanying financial statements of Northumberland Hills Hospital Foundation, which comprise the statement of financial position as at March 31, 2013 and the statements of operations, changes in fund balances and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

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.

Auditor's 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 of 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 the auditors' 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, the auditor considers internal controls 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 opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations and other fundraising revenues, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts in the records of the Foundation. We are not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and fund balances.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Northumberland Hills Hospital Foundation as at March 31, 2013 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.

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Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that Northumberland Hills Hospital Foundation adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at March 31, 2012 and April 1, 2011, and the statements of operations, changes in fund balances and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

*Langhorne Irwin
Wharram-Spry, LLP*

Cobourg, Ontario
June 26, 2013

Chartered Accountants
Licensed Public Accountants

NORTHUMBERLAND HILLS HOSPITAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2013

	GENERAL FUND	OVERHEAD RESERVE FUND	ENDOWMENT FUND	FUTURE EQUIPMENT RESERVE FUND	2013	2012	April 1 2011
ASSETS							
CURRENT							
Cash	\$ 7,482	\$ -	\$ -	\$ -	\$ 7,482	\$ 25,593	\$ 45,821
HST receivable	7,310	-	-	-	7,310	7,907	6,489
Accounts receivable	-	-	-	-	-	-	2,000
	14,792	-	-	-	14,792	33,500	54,310
INVESTMENTS (Note 6)	1,785,976	359,068	2,585,773	954,485	5,685,302	5,095,860	5,694,631
CAPITAL ASSETS (Note 7)	-	-	-	-	-	3,665	10,035
	\$ 1,800,768	\$ 359,068	\$ 2,585,773	\$ 954,485	\$ 5,700,094	\$ 5,133,025	\$ 5,758,976
LIABILITIES							
CURRENT							
Accounts payable and accrued liabilities	\$ 495,828	\$ -	\$ -	\$ -	\$ 495,828	\$ 239,748	\$ 141,855
Deferred revenue	13,333	-	-	-	13,333	10,000	10,000
	509,161	-	-	-	509,161	249,748	151,855
FUND BALANCES							
RESTRICTED	-	-	2,255,274	-	2,255,274	2,304,690	1,855,221
INTERNALLY RESTRICTED	-	359,068	330,499	954,485	1,644,052	1,039,513	1,011,723
UNRESTRICTED	1,291,607	-	-	-	1,291,607	1,539,074	2,740,177
	1,291,607	359,068	2,585,773	954,485	5,190,933	4,883,277	5,607,121
	\$ 1,800,768	\$ 359,068	\$ 2,585,773	\$ 954,485	\$ 5,700,094	\$ 5,133,025	\$ 5,758,976

On behalf of the Board:

_____ Director _____ Director

The accompanying notes form an integral part of these financial statements.

NORTHUMBERLAND HILLS HOSPITAL FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2013

	GENERAL FUND	OVERHEAD RESERVE FUND	ENDOWMENT FUND	FUTURE EQUIPMENT RESERVE FUND	2013	2012
REVENUE						
Donations	\$ 320,396	\$ -	\$ -	\$ -	\$ 320,396	\$ 291,099
Caring for Generations/Business partners	169,874	-	-	-	169,874	153,830
Signature events	599,465	-	-	-	599,465	492,349
Third party events	95,095	-	-	-	95,095	73,762
In Memoriam donations/Commemorative giving	104,331	-	-	-	104,331	129,522
Planned Giving	175,429	-	22,192	-	197,621	386,455
Pledge redemptions	103,695	-	-	-	103,695	143,716
Endowment donations	-	-	130,561	-	130,561	151,900
Investment income	21,273	10,508	80,402	21,410	133,593	133,398
Gain (loss) on sale of investments	(120)	1,582	24,415	2,390	28,267	(39,923)
Loss on sale of donated shares	(2,356)	-	24	-	(2,332)	(3,790)
Unrealized gain (loss) on investments	-	3,313	33,226	9,109	45,648	(17,897)
Foreign exchange loss	-	(167)	-	(524)	(691)	(2,280)
	1,587,082	15,236	290,820	32,385	1,925,523	1,892,141
EXPENSES						
Advertising and creative	5,390	-	-	-	5,390	5,268
Amortization of capital assets	3,665	-	-	-	3,665	6,372
Bank charges and administration fees	9,952	153	4,337	153	14,595	10,520
Board/staff development and travel	6,175	-	-	-	6,175	12,255
Computer supplies and software	4,633	-	-	-	4,633	6,272
Hospital services chargeback	6,236	-	-	-	6,236	6,372
Mailings and postage	12,036	-	-	-	12,036	11,754
Memberships	2,029	-	-	-	2,029	1,872
Office and miscellaneous	11,276	-	-	-	11,276	9,763
Printing and newsletter	7,948	-	-	-	7,948	8,023
Professional and contract services	17,381	-	-	-	17,381	10,490
Salaries and benefits	272,898	-	-	-	272,898	276,974
Fundraising costs	187,640	-	-	-	187,640	119,410
Stewardship expenses	16,039	-	-	-	16,039	15,419
Donations and distributions to Hospital	1,044,203	-	-	-	1,044,203	2,100,245
Strategic plan	5,723	-	-	-	5,723	14,976
	1,613,224	153	4,337	153	1,617,867	2,615,985
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (26,142)	\$ 15,083	\$ 286,483	\$ 32,232	\$ 307,656	\$ (723,844)

The accompanying notes form an integral part of these financial statements.

NORTHUMBERLAND HILLS HOSPITAL FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2013

	GENERAL FUND	OVERHEAD RESERVE FUND	ENDOWMENT FUND	FUTURE EQUIPMENT RESERVE FUND	2013	2012
FUND BALANCES , beginning of year	\$ 1,539,074	\$ 343,985	\$ 2,304,690	\$ 695,528	\$ 4,883,277	\$ 5,607,121
Excess (deficiency) of revenue over expenses	(26,142)	15,083	286,483	32,232	307,656	(723,844)
Interfund transfers						
Internal commitment	(226,725)	-	-	226,725	-	-
Administration fee	5,400	-	(5,400)	-	-	-
FUND BALANCES , end of year	\$ 1,291,607	\$ 359,068	\$ 2,585,773	\$ 954,485	\$ 5,190,933	\$ 4,883,277
SUBSEQUENT DISTRIBUTION APPROVED BY BOARD:						
Distribution to:						
Future Equipment Reserve	\$ (201,890)	\$ -	\$ -	\$ 201,890	\$ -	\$ -
SUBSEQUENT FUND BALANCES	\$ 1,089,717	\$ 359,068	\$ 2,585,773	\$ 1,156,375	\$ 5,190,933	\$ 4,883,277

The accompanying notes form an integral part of these financial statements.

NORTHUMBERLAND HILLS HOSPITAL FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2013

	GENERAL FUND	OVERHEAD RESERVE FUND	ENDOWMENT FUND	FUTURE EQUIPMENT RESERVE FUND	2013	2012
CASH FLOWS FROM (USED IN)						
Operating activities						
Excess (deficiency) of revenues over expenses	\$ (26,142)	\$ 15,083	\$ 286,483	\$ 32,232	\$ 307,656	\$ (723,844)
Adjustments to reconcile to cash provided by operating activities						
Amortization	3,665	-	-	-	3,665	6,372
Interfund transfers	(221,325)	-	(5,400)	226,725	-	-
Changes in non-cash working capital balances						
Accounts receivable, HST receivable	597	-	-	-	597	582
Accounts payable and accrued liabilities	256,080	-	-	-	256,080	97,891
Deferred revenue	3,333	-	-	-	3,333	-
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	16,208	15,083	281,083	258,957	571,331	(618,999)
CASH AND EQUIVALENTS, beginning of year	1,777,250	343,985	2,304,690	695,528	5,121,453	5,740,452
CASH AND EQUIVALENTS, end of year	\$ 1,793,458	\$ 359,068	\$ 2,585,773	\$ 954,485	\$ 5,692,784	\$ 5,121,453
REPRESENTED BY:						
Cash	\$ 7,482	\$ -	\$ -	\$ -	\$ 7,482	\$ 25,593
Investments	1,785,976	359,068	2,585,773	954,485	5,685,302	5,095,860
	\$ 1,793,458	\$ 359,068	\$ 2,585,773	\$ 954,485	\$ 5,692,784	\$ 5,121,453

The accompanying notes form an integral part of these financial statements.

NORTHUMBERLAND HILLS HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

PURPOSE OF THE FOUNDATION

The Northumberland Hills Hospital Foundation ("the Foundation") was incorporated without share capital under the Corporations Act, Ontario and is a charitable organization whose purpose is to raise funds for the Hospital and health care. The mission of the Foundation is to improve health care and the quality of life in our communities by growing and maintaining donor support for key hospital capital needs. The Foundation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Fund Accounting;

(i) General Fund

The General Fund represents all ongoing fundraising activities and capital purchases and supports other board approved programs. This fund is also known as the core activities account. The objective of the fund is to distribute up to 80% of the current year's undesignated net operating cash flow. Net operating cash flow represents total fundraising revenues less total administrative and program expenses, less designated gifts, and less 10% of the full amount of unrestricted bequests transferred to the endowment fund. Funds are disbursed upon request from the hospital for approved capital items and/or program expenses.

(ii) Overhead Reserve Fund

The Overhead Reserve Fund relates to an internally restricted fund balance with the objective to maintain a balance equal to the core activities expense budget for the next fiscal year. There are no deposits, withdrawals or transfers from this fund unless authorized by a board resolution.

(iii) Endowment Fund

The Endowment Fund consists of the General and Named Endowments.

The General Endowments are internally restricted and reflects 10% of the amount of general bequests received by the Foundation and unnamed endowments, to be held and invested permanently. Investment income on the General Endowments are accumulated and will be disbursed annually to finance hospital capital requirements as approved by the Foundation Board and in accordance with Canada Revenue Agency requirements.

The Named Endowments reflects externally restricted donation contributions, with a minimum donation amount of \$25,000, the proceeds of which are to be invested and held permanently by the Foundation, and subject to individual endowment agreements entered into by the specific donor and the Foundation. The investment income will be accumulated in the fund. Disbursements of income from the fund shall be in accordance with the terms of the specific endowment and Canada Revenue Agency requirements.

NORTHUMBERLAND HILLS HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Fund Accounting (Continued);

(iv) Future Equipment Reserve Fund

The fund represents 20% of the annual net operating cash flow plus investment yield. The objective of this fund is to grow to \$1 million at which time the appropriateness of continuing to build the fund will be reviewed. In addition it will include monies designated for special projects approved by the Foundation Board.

(b) Revenue Recognition;

The Foundation follows the restricted fund method whereby externally restricted contributions (grants and donations) are recognized in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenues in the General Fund.

Investment income includes dividend and interest income, realized investment gains and losses on sales of investments, and unrealized gains and losses on investment measured at fair value.

(c) Recognition of Pledges;

Because of the uncertainty surrounding the collectibility of pledges, the organization recognizes only those pledges for which amounts have been received at the date of completion of the financial statements.

(d) Use of Estimates;

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 reported period. Actual results could differ from these estimates. The most significant estimates in these financial statements include accounts payable and accrued liabilities and the estimated useful lives of capital assets.

(e) Contributed Goods and Services;

The organization would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty of compiling these hours, contributed services are not recognized in the financial statements. The value of donated gifts-in-kind have not been reflected in the records as their monetary value cannot be ascertained.

(f) Cash;

The Foundation's policy is to present bank balances and cash on hand under cash.

NORTHUMBERLAND HILLS HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments;

The Foundation initially measures its financial assets and financial liabilities at fair value. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and HST receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Foundation's financial assets measured at fair value include investments.

(h) Allocation of Expenses;

The Foundation allocates expenditures to the general fund. Amounts allocated to other funds are specific to the fund account.

2. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

The Foundation has elected to apply the standards in Part III of the *CICA handbook - Accounting*, Canadian accounting standards for not-for-profit organizations. As these are the first financial statements for which the Foundation has applied Part III, the financial statements have been prepared in accordance with the provisions set out in Section 1501, *First-time Adoption by Not-for-Profit organizations*. First-time adoption of this new basis of accounting had no impact on the Foundation's excess of revenue over expenditure for the year ended March 31, 2012 or on fund balances as at April 1, 2011, the date of transition.

3. RELATED PARTY TRANSACTIONS

During the year, the Foundation paid \$272,898 to the Northumberland Hills Hospital for personnel costs and benefits on a cost-recovery basis (2012 - \$276,974).

During the year, the Foundation paid \$6,236 to the Northumberland Hills Hospital for hospital service chargebacks (2011 - \$6,372).

Accounts payable and accrued liabilities includes \$20,112 (2012 - \$24,450) owing to the Northumberland Hills Hospital for personnel costs and benefits and \$463,685 (2012 - \$205,616) for donation distribution.

These transactions are in the normal course of operations and are measured at the exchange value which represents the amount of consideration established and agreed to by the parties.

NORTHUMBERLAND HILLS HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

4. PLEDGES

The Foundation defines a pledge as a commitment in writing with due dates extending beyond 12 months. Pledges receivable are not reflected in the statement of financial position, as they are not considered legal obligations.

The Foundation has pledges receivable of \$Nil (2012 - \$3,000) for the Caring for Generations Campaign and Core program and \$23,417 (2012 - \$135,000) for the Care Close to Home Campaign.

5. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure as at March 31, 2013:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation has minimal risk as generally the majority of the accounts receivable is harmonized sales tax rebate.

Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. The Foundation has minimal risk as they have sufficient funds on hand to meet their obligations.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes currency risk, interest rate risk, and other price risk. The Foundation's investments have a market risk that could arise from fluctuations in the market price. To manage these risks, the Foundation uses independent investment counsel and has developed an investment policy guideline to reduce risk. The Foundation receives monthly statements, and meets on a quarterly and yearly basis with investment counsel. The Foundation is exposed to currency risk through its investments in U.S. Market-indexed equities. The total investment is approximately 9.41% of the fair market value of the investments which minimizes the exposure to currency risk. The Foundation is not exposed to other price risk.

NORTHUMBERLAND HILLS HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

6. INVESTMENTS

			2013	2012
	Cost	Accumulated Unrealized Gain	Carrying Value	Carrying Value
Core Activities				
Cash	\$ 121	\$ -	\$ 121	\$ -
Fixed income and accrued interest	318,371	-	318,371	-
Mutual funds - high interest savings fund	1,467,484	-	1,467,484	1,751,657
	<u>\$ 1,785,976</u>	<u>\$ -</u>	<u>\$ 1,785,976</u>	<u>\$ 1,751,657</u>
Overhead Reserve				
Cash	\$ 3,284	\$ -	\$ 3,284	\$ 503
Fixed income and accrued interest	231,949	-	231,949	285,676
Market-indexed equities	110,989	12,846	123,835	50,458
U.S. Market-indexed equities	-	-	-	7,347
	<u>\$ 346,222</u>	<u>\$ 12,846</u>	<u>\$ 359,068</u>	<u>\$ 343,984</u>
Endowments (Named and General)				
Cash	\$ 41,107	\$ -	\$ 41,107	\$ 7,322
Fixed income and accrued interest	1,347,567	-	1,347,567	1,154,801
Market-indexed equities	648,909	64,713	713,622	506,006
U.S. Market-indexed equities	401,951	81,526	483,477	534,150
Mutual funds - high interest savings fund	-	-	-	102,412
	<u>\$ 2,439,534</u>	<u>\$ 146,239</u>	<u>\$ 2,585,773</u>	<u>\$ 2,304,691</u>
Future Equipment Reserve Fund				
Cash	\$ 5,892	\$ -	\$ 5,892	\$ 1,542
Fixed income and accrued interest	478,758	-	478,758	582,979
Market-indexed equities	315,221	2,451	317,672	24,099
U.S. Market-indexed equities	39,984	11,749	51,733	65,083
Mutual funds - high interest savings fund	100,430	-	100,430	21,825
	<u>\$ 940,285</u>	<u>\$ 14,200</u>	<u>\$ 954,485</u>	<u>\$ 695,528</u>
TOTAL	<u>\$ 5,512,017</u>	<u>\$ 173,285</u>	<u>\$ 5,685,302</u>	<u>\$ 5,095,860</u>

NORTHUMBERLAND HILLS HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

6. INVESTMENTS (CONTINUED)

Fixed income and accrued interest is comprised of guaranteed term deposits, government and corporate bonds and bankers acceptance. The guaranteed term deposits are presented at amortized cost and accrued interest, denominated in Canadian dollars with effective interest rates ranging from 1.25% to 5.00% and mature with dates ranging from April 2013 to June 2037.

The mutual funds are invested in the Canadian money market and income trusts. The U.S and market-indexed equities are available for sale and subject to stock market fluctuations. These securities are presented at fair values.

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2013	Net 2012
Donor recognition wall	\$ 32,781	\$ 32,781	\$ -	\$ 1,998
Website development	10,000	10,000	-	1,667
	\$ 42,781	\$ 42,781	\$ -	\$ 3,665