

# **NORTHUMBERLAND HILLS HOSPITAL FOUNDATION**

## **FINANCIAL STATEMENTS**

**MARCH 31, 2012**

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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, 2012 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 generally accepted accounting principles, 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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Langhorne Irwin  
Wharram - Spry, LLP*

Cobourg, Ontario  
June 13, 2012

Chartered Accountants  
Licensed Public Accountants

# NORTHUMBERLAND HILLS HOSPITAL FOUNDATION

## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012

	GENERAL FUND	OVERHEAD RESERVE FUND	ENDOWMENT FUND	FUTURE EQUIPMENT RESERVE FUND	2012	2011
<b>ASSETS</b>						
CASH	\$ 25,593	\$ -	\$ -	\$ -	\$ 25,593	\$ 45,821
HST RECEIVABLE	7,907	-	-	-	7,907	6,489
ACCOUNTS RECEIVABLE	-	-	-	-	-	2,000
	33,500	-	-	-	33,500	54,310
INVESTMENTS (Note 5)	1,751,657	343,985	2,304,690	695,528	5,095,860	5,694,631
CAPITAL ASSETS (Note 6)	3,665	-	-	-	3,665	10,035
	<b>\$ 1,788,822</b>	<b>\$ 343,985</b>	<b>\$ 2,304,690</b>	<b>\$ 695,528</b>	<b>\$ 5,133,025</b>	<b>\$ 5,758,976</b>
<b>LIABILITIES</b>						
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 239,748	\$ -	\$ -	\$ -	\$ 239,748	\$ 141,859
DEFERRED REVENUE	10,000	-	-	-	10,000	10,000
	249,748	-	-	-	249,748	151,859
<b>FUND BALANCES</b>						
RESTRICTED	-	-	2,304,690	-	2,304,690	1,855,221
INTERNALLY RESTRICTED	-	343,985	-	695,528	1,039,513	1,011,723
UNRESTRICTED	1,539,074	-	-	-	1,539,074	2,740,173
	1,539,074	343,985	2,304,690	695,528	4,883,277	5,607,117
	<b>\$ 1,788,822</b>	<b>\$ 343,985</b>	<b>\$ 2,304,690</b>	<b>\$ 695,528</b>	<b>\$ 5,133,025</b>	<b>\$ 5,758,976</b>

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, 2012**

	GENERAL FUND	OVERHEAD RESERVE FUND	ENDOWMENT FUND	FUTURE EQUIPMENT RESERVE FUND	2012	2011
<b>REVENUE</b>						
Donations	\$ 291,099	\$ -	\$ -	\$ -	\$ 291,099	\$ 236,787
Caring for Generations/Business partners	153,830	-	-	-	153,830	128,266
Signature events	492,349	-	-	-	492,349	458,273
Third party events	73,762	-	-	-	73,762	71,656
In Memoriam donations/Commemorative giving	129,522	-	-	-	129,522	103,568
Planned Giving	347,809	-	38,646	-	386,455	799,322
Pledge redemptions	143,716	-	-	-	143,716	312,428
Endowment donations	-	-	151,900	-	151,900	41,303
Investment income	37,900	9,836	72,902	12,760	133,398	96,691
Loss on sale of investments	-	(1,221)	(36,572)	(2,130)	(39,923)	-
Loss on sale of donated shares	(3,790)	-	-	-	(3,790)	(6,687)
Unrealized gain (loss) on investments	-	(1,721)	(17,388)	1,212	(17,897)	98,381
Foreign exchange gain (loss)	-	157	(2,394)	(43)	(2,280)	(3,112)
	1,666,197	7,051	207,094	11,799	1,892,141	2,336,876
<b>EXPENDITURES</b>						
Advertising and creative	5,268	-	-	-	5,268	1,313
Amortization of capital assets	6,372	-	-	-	6,372	6,372
Bank charges and administration fees	6,320	-	4,200	-	10,520	8,959
Board/staff development and travel	12,255	-	-	-	12,255	4,771
Computer supplies and software	6,272	-	-	-	6,272	3,918
Hospital services chargeback	6,372	-	-	-	6,372	6,180
Mailings and postage	11,754	-	-	-	11,754	10,722
Memberships	1,872	-	-	-	1,872	1,393
Office and miscellaneous	9,763	-	-	-	9,763	11,283
Printing and newsletter	8,023	-	-	-	8,023	6,963
Professional services	10,490	-	-	-	10,490	9,776
Salaries and benefits	276,974	-	-	-	276,974	238,268
Fundraising costs	119,410	-	-	-	119,410	106,226
Stewardship expenses	15,419	-	-	-	15,419	3,143
Donations and distributions to Hospital	2,100,245	-	-	-	2,100,245	819,431
Strategic plan	14,976	-	-	-	14,976	24,173
	2,611,785	-	4,200	-	2,615,985	1,262,891
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	\$ (945,588)	\$ 7,051	\$ 202,894	\$ 11,799	\$ (723,844)	\$ 1,073,985

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, 2012**

	GENERAL FUND	OVERHEAD RESERVE FUND	ENDOWMENT FUND	FUTURE EQUIPMENT RESERVE FUND	2012	2011
<b>FUND BALANCES</b> , beginning of year	\$ 2,740,177	\$ 336,934	\$ 2,101,796	\$ 428,214	\$ 5,607,121	\$ 4,533,136
Excess (deficiency) of revenue over expenses	(945,588)	7,051	202,894	11,799	(723,844)	1,073,985
Interfund transfer	(255,515)	-	-	255,515	-	-
<b>FUND BALANCES</b> , end of year	\$ 1,539,074	\$ 343,985	\$ 2,304,690	\$ 695,528	\$ 4,883,277	\$ 5,607,121
<b>SUBSEQUENT DISTRIBUTION APPROVED BY BOARD:</b>						
Distribution to: Future Equipment Reserve	\$ (226,725)	\$ -	\$ -	\$ 226,725	\$ -	\$ -
<b>SUBSEQUENT FUND BALANCES</b>	\$ 1,312,349	\$ 343,985	\$ 2,304,690	\$ 922,253	\$ 4,883,277	\$ 5,607,121

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, 2012**

	GENERAL FUND	OVERHEAD RESERVE FUND	ENDOWMENT FUND	FUTURE EQUIPMENT RESERVE FUND	2012	2011
<b>CASH FLOWS FROM (USED IN)</b>						
<b>Operating activities</b>						
Excess (deficiency) of revenues over expenses	\$ (945,588)	\$ 7,051	\$ 202,894	\$ 11,799	\$ (723,844)	\$ 1,073,985
Adjustments to reconcile to cash provided by operating activities						
Amortization	6,372	-	-	-	6,372	6,372
Interfund transfers	(255,515)	-	-	255,515	-	-
Changes in non-cash working capital balances						
Accounts receivable, HST receivable	582	-	-	-	582	(5,023)
Accounts payable and accrued liabilities	99,891	-	(2,000)	-	97,891	(427,047)
Deferred revenue	-	-	-	-	-	(10,000)
<b>INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	(1,094,258)	7,051	200,894	267,314	(618,999)	638,287
<b>CASH AND EQUIVALENTS, beginning of year</b>	2,871,508	336,934	2,103,796	428,214	5,740,452	5,102,165
<b>CASH AND EQUIVALENTS, end of year</b>	\$ 1,777,250	\$ 343,985	\$ 2,304,690	\$ 695,528	\$ 5,121,453	\$ 5,740,452
<b>REPRESENTED BY:</b>						
Cash	\$ 25,593	\$ -	\$ -	\$ -	\$ 25,593	\$ 45,821
Investments	1,751,657	343,985	2,304,690	695,528	5,095,860	5,694,631
	\$ 1,777,250	\$ 343,985	\$ 2,304,690	\$ 695,528	\$ 5,121,453	\$ 5,740,452

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, 2012**

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**1. 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 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.

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**2. FUND BALANCES**

**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.

**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.

**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.

**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.

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**NORTHUMBERLAND HILLS HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2012**

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**3. SIGNIFICANT ACCOUNTING POLICIES**

(a) Revenue recognition;

The Foundation follows the restricted fund method of accounting for donations.

Donation revenue is recorded as received and therefore donation pledges to the Foundation are not included in revenue until such time as funds are received.

(b) Capital assets;

Capital assets are recorded at cost. Capital assets are amortized over their estimated useful life on a straight line basis at 20% per year for the donor recognition wall and 3 years straight line basis for website development.

(c) 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 accruals for services rendered and not yet invoiced and the estimated useful lives of capital assets.

(d) Donated goods and services;

The value of donated goods and services has not been reflected in the records as their monetary value cannot be ascertained.

(e) Financial Instruments;

The Foundation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The Foundation's accounting policy for each category is as follows:

Assets held-for-trading;

Financial instruments classified as assets held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in excess (deficiency) of revenue over expenses in the period during which the change occurs. Transaction costs are expensed when incurred. In these financial statements, cash has been classified as held-for-trading.

Available-for-sale investments;

Financial instruments classified as available-for-sale are reported at fair value at each balance sheet date, and any change in fair value is recognized in fund balances in the period in which the change occurs. All transactions related to marketable securities are recorded on a settlement date basis. In these financial statements, investments in mutual funds and market-indexed equities have been classified as available-for-sale.



**NORTHUMBERLAND HILLS HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2012**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(e) Financial Instruments (continued);

Held-to-maturity investments;

Financial instruments classified as held-to-maturity are financial assets with fixed or determinable payments and fixed maturities that the Foundation's management has the positive intention and ability to hold to maturity. These assets are initially recorded at fair value and subsequently carried at amortized cost, using the effective interest rate method. Transaction costs are included in the amount initially recognized. In these financial statements, investments in fixed income have been classified as held-to-maturity.

Loans and receivables and other financial liabilities;

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred.

In these financial statements, HST receivable has been classified as loans and receivables. Accounts payable and accrued liabilities and deferred revenue have been classified as other financial liabilities.

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**4. FINANCIAL INSTRUMENTS**

(a) Fair values;

The Foundation's financial instruments consist of cash, HST receivable, investments, accounts payable and accrued liabilities.

Cash is reported at fair value on the statement of financial position. Investments, HST receivable, accounts payable and accrued liabilities are reported at amortized cost which approximates fair value due to their short term nature.

(b) Credit and currency risk;

The Foundation's cash and investments are held at major financial institutions. HST receivable is federal funding. The Foundation maintains investments in guaranteed term deposits, bonds and bankers acceptance with its financial institution in excess of federally insured limits and is therefore exposed to credit risk from this concentration of investments.

The Foundation holds approximately 11.9% (2011, 7.3%) of its investments in U.S. market-indexed securities exposing the Foundation to foreign exchange fluctuations. At the time of purchase, the exchange rate was an average of 1.02 and as at March 31, 2012 the exchange rate was .9975.

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**NORTHUMBERLAND HILLS HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2012**

**5. INVESTMENTS**

	Cost	2012 Accumulated Unrealized Gain	Carrying Value	2011 Carrying Value
<b>Core Activities</b>				
Cash	\$ -	\$ -	\$ -	\$ 25,022
Fixed income and accrued interest	-	-	-	13,920
Mutual funds - high interest savings fund	1,751,657	-	1,751,657	2,786,745
	<u>\$ 1,751,657</u>	<u>\$ -</u>	<u>\$ 1,751,657</u>	<u>\$ 2,825,687</u>
<b>Overhead Reserve</b>				
Cash	\$ 503	\$ -	\$ 503	\$ 493
Fixed income and accrued interest	285,676	-	285,676	276,012
Market-indexed equities	41,727	8,731	50,458	60,430
U.S. Market-indexed equities	6,545	802	7,347	-
	<u>\$ 334,451</u>	<u>\$ 9,533</u>	<u>\$ 343,984</u>	<u>\$ 336,935</u>
<b>Endowments (Named and General)</b>				
Cash	\$ 7,322	\$ -	\$ 7,322	\$ 2,749
Fixed income and accrued interest	1,154,801	-	1,154,801	977,074
Market-indexed equities	438,188	67,818	506,006	671,324
U.S. Market-indexed equities	496,040	38,110	534,150	419,123
Mutual funds - high interest savings fund	102,412	-	102,412	33,525
	<u>\$ 2,198,763</u>	<u>\$ 105,928</u>	<u>\$ 2,304,691</u>	<u>\$ 2,103,795</u>
<b>Future Equipment Reserve Fund</b>				
Cash	\$ 1,542	\$ -	\$ 1,542	\$ 770
Fixed income and accrued interest	582,979	-	582,979	337,733
Market-indexed equities	25,068	(969)	24,099	27,540
U.S. Market-indexed equities	59,016	6,067	65,083	62,171
Mutual funds - high interest savings fund	21,825	-	21,825	-
	<u>\$ 690,430</u>	<u>\$ 5,098</u>	<u>\$ 695,528</u>	<u>\$ 428,214</u>
<b>TOTAL</b>	<u><b>\$ 4,975,301</b></u>	<u><b>\$ 120,559</b></u>	<u><b>\$ 5,095,860</b></u>	<u><b>\$ 5,694,631</b></u>

**NORTHUMBERLAND HILLS HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2012**

**5. 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 1.95% to 5.20% and mature with dates ranging from June 2012 to November 2016.

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

**6. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2012</b>	<b>Net 2011</b>
Donor recognition wall	\$ 32,781	\$ 30,783	\$ 1,998	\$ 5,035
Website development	10,000	8,333	1,667	5,000
	<b>\$ 42,781</b>	<b>\$ 39,116</b>	<b>\$ 3,665</b>	<b>\$ 10,035</b>

**7. RELATED PARTY TRANSACTIONS**

During the year, the Foundation paid \$276,974 to the Northumberland Hills Hospital for personnel costs and benefits on a cost-recovery basis (2011 - \$258,032).

During the year, the Foundation paid \$6,372 to the Northumberland Hills Hospital for hospital service chargebacks (2011 - \$6,180).

Accounts payable and accrued liabilities includes \$24,450 (2011 - \$20,940) owing to the Northumberland Hills Hospital for personnel costs and benefits and \$205,616 (2011 - \$110,137) 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, 2012**

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**8. 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 \$3,000 (2011 - \$8,000) for the Caring for Generations Campaign and Core program and \$135,000 (2011 - \$273,000) for the Care Close to Home Campaign .

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**9. FUTURE ACCOUNTING CHANGES**

In December 2010, the Accounting Standards Board issued Part III of the *CICA Handbook - Accounting* to provide Canadian private sector not-for-profit organizations with a new financial reporting framework for fiscal years beginning on or after January 1, 2012. The organization has adopted Part III of the *Handbook* for the year ending March, 2013.

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**10. CAPITAL MANAGEMENT**

The Foundation considers its capital to be fund balances.

The investments are monitored on an ongoing basis. The finance committee receives and reviews quarterly reports on the portfolio and the adherence to the policies and guidelines established by the Foundation.

The Foundation's objectives when managing capital are to maintain flexibility between enabling it to operate efficiently, provide liquidity for cash flow requirements, and to be able to continue operating in the future.

The Foundation is not subject to any externally imposed capital requirements.

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**11. ALLOCATION OF EXPENDITURES**

The Foundation allocates expenditures to the general fund. Amounts allocated to other funds are immaterial, and in the current year consist of an administration fee charged to the endowment fund and paid to the general fund. The administration fee can be up to 1% of the endowment fund.

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**NORTHUMBERLAND HILLS HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2012**

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**12. COMPARATIVE FIGURES**

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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**13. COMMITMENT**

The Foundation issued an irrevocable standby letter of credit ("credit") on October 18, 2011 in the amount of \$13,000 through a banking facility with BMO. The credit expires on September 12, 2012 and the beneficiary of the credit is the Town of Cobourg. The credit is related to the Lottery activities of the Foundation.

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