

Financial Statements of

**NORFOLK GENERAL  
HOSPITAL FOUNDATION**

Year ended March 31, 2017

# THE NORFOLK GENERAL HOSPITAL FOUNDATION

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KPMG LLP  
Commerce Place  
21 King Street West, Suite 700  
Hamilton Ontario L8P 4W7  
Canada  
Telephone (905) 523-8200  
Fax (905) 523-2222

## **INDEPENDENT AUDITORS' REPORT**

To the Directors of the Norfolk General Hospital Foundation

We have audited the accompanying financial statements of Norfolk General Hospital Foundation which comprise the statement of financial position as at March 31, 2017, the statements of operations, 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 not-for-profit organizations, the organization derives revenue from donations and 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 Norfolk General Hospital Foundation. Therefore, we were not able to determine whether, as at and for the years ended March 31, 2017 and March 31, 2016 any adjustments might be necessary to revenues and excess of revenues over expenses reported in the statement of operations, excess of revenue and expenses reported in the statements of cash flows and current assets and unrestricted fund balances reported in the statement of financial position as at and for the year ended March 31, 2017.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the position of Norfolk General Hospital Foundation as at March 31, 2017 and its statements of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

June 13, 2017

Hamilton, Canada

# NORFOLK GENERAL HOSPITAL FOUNDATION

## Statement of Financial Position

March 31, 2017, with comparative information for 2016

|  | 2017                | 2016                |
|--|---------------------|---------------------|
| <b>Assets</b>                              |                     |                     |
| Current assets:                            |                     |                     |
| Cash                                       | \$ 1,812,165        | \$ 1,560,231        |
| Investments (note 2)                       | 462,217             | 244,125             |
| Accounts receivable                        | 1,896               | 927                 |
| Due from Norfolk General Hospital (note 3) | 24,801              | -                   |
| Harmonized sales tax recoverable           | 4,393               | 10,664              |
| Prepaid expenses                           | 25,634              | 25,030              |
|  | <u>\$ 2,331,106</u> | <u>\$ 1,840,977</u> |
| <b>Liabilities and Fund Balances</b>       |                     |                     |
| Current liabilities:                       |                     |                     |
| Accounts payable                           | \$ 13,444           | \$ 4,500            |
| Due to Norfolk General Hospital (note 3)   | -                   | 17,481              |
|  | <u>13,444</u>       | <u>21,981</u>       |
| Fund balances:                             |                     |                     |
| Unrestricted                               | 1,631,705           | 1,152,980           |
| Restricted (note 4)                        | 263,989             | 242,800             |
| Endowment (note 5)                         | 421,968             | 423,216             |
|  | <u>2,317,662</u>    | <u>1,818,996</u>    |
|  | <u>\$ 2,331,106</u> | <u>\$ 1,840,977</u> |

See accompanying notes to financial statements.

# THE NORFOLK GENERAL HOSPITAL FOUNDATION

## Statement of Operations

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

|   | 2017              | 2016              |
|---|-------------------|-------------------|
| Revenue:  |                   |                   |
| Donations (note 6)                                | \$ 1,407,113      | \$ 1,097,545      |
| Investment income                                 | 36,537            | 3,152             |
|   | <u>1,443,650</u>  | <u>1,100,697</u>  |
| Expenses:   |                   |                   |
| Salaries and benefits                             | 239,631           | 221,657           |
| Appeal and fundraising (note 7)                   | 94,267            | 114,966           |
| Office  | 20,701            | 21,574            |
| Advertising and public relations                  | 1,563             | 5,606             |
| Professional fees                                 | 4,358             | 6,262             |
|   | <u>360,520</u>    | <u>370,065</u>    |
| Excess of revenue over expenses before undernoted | 1,083,131         | 730,632           |
| Other expenses:                                   |                   |                   |
| Funds disbursed for charitable purpose (note 8)   | (584,464)         | (254,175)         |
| Excess of revenue over expenses                   | <u>\$ 498,666</u> | <u>\$ 476,457</u> |

See accompanying notes to financial statements.

# THE NORFOLK GENERAL HOSPITAL FOUNDATION

## Statement of Changes in Fund Balances

Year ended March 31, 2017 with comparative information for 2016

|  | Unrestricted | Restricted<br>(note 4) | Endowment<br>(note 5) | 2017         | 2016         |
|--|--------------|------------------------|-----------------------|--------------|--------------|
| Balance, beginning of year                                   | \$ 1,152,980 | \$ 242,800             | \$ 423,216            | \$ 1,818,996 | \$ 1,342,539 |
| Excess (deficiency) of revenue<br>over expenses for the year | 478,725      | 21,189                 | (1,248)               | 498,666      | 476,457      |
| Balance, end of year   | \$ 1,631,705 | \$ 263,989             | \$ 421,968            | \$ 2,317,662 | \$ 1,818,996 |

See accompanying notes to financial statements.

# THE NORFOLK GENERAL HOSPITAL FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2017 with comparative information for 2016

|  | 2017                | 2016                |
|--|---------------------|---------------------|
| Cash provided by (used in):                            |                     |                     |
| Operating activities:                                  |                     |                     |
| Excess of revenue over expenses for the year           | \$ 498,666          | \$ 476,457          |
| Item not involving cash:                               |                     |                     |
| Unrealized gain on investments                         | (10,646)            | (1,247)             |
|  | <u>488,020</u>      | <u>475,210</u>      |
| Change in non-cash operating working capital balances: |                     |                     |
| Accounts receivable                                    | (969)               | (315)               |
| Prepaid expenses                                       | (604)               | 3,526               |
| Accounts payable                                       | 8,945               | -                   |
| Harmonized sales tax recoverable                       | 6,271               | 958                 |
| Due (from) to Norfolk General Hospital                 | (42,282)            | 10,001              |
|  | <u>(28,640)</u>     | <u>14,170</u>       |
| Cash flow from operating activities                    | <u>459,380</u>      | <u>489,380</u>      |
| Investing activity:                                    |                     |                     |
| Change in investments, net                             | (207,446)           | 245,738             |
| Increase in cash                                       | <u>251,934</u>      | <u>735,118</u>      |
| Cash, beginning of year                                | 1,560,231           | 825,113             |
| Cash, end of year                                      | <u>\$ 1,812,165</u> | <u>\$ 1,560,231</u> |

See accompanying notes to financial statements.

# THE NORFOLK GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

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Norfolk General Hospital Foundation (the "Foundation") is a public foundation registered under the Income Tax Act to receive and maintain a fund or funds and to apply from time to time all or part of the capital or income therefrom for the benefit of Norfolk General Hospital, Norfolk Hospital Nursing Home and for other medical, educational and charitable purposes as the Board of Directors (the "Board") decides.

## 1. 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 Handbook.

Significant accounting policies are as follows:

### (a) Fund accounting:

The Unrestricted Fund represents amounts that are not designated for restricted programs.

The Restricted Fund combines the Internally Restricted Fund and the Externally Restricted Fund. The Internally Restricted Fund represents amounts set aside as specified by the Board. The Externally Restricted Fund represents amounts designated for a specific program by the contributor.

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

### (b) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions for which no corresponding restricted fund is presented. Unrestricted contributions are recognized as revenue when received or receivable to the extent that the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted funds are recognized when received in the fund corresponding to the purpose for which they were contributed.

# THE NORFOLK GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 1. Significant accounting policies (continued):

### (c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any 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 impairment charge.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

# THE NORFOLK GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 1. Significant accounting policies (continued):

(d) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates include impairment of accounts receivable and estimation of accrued liabilities. Actual results could differ from those estimates.

(e) Contributed services and materials:

Volunteers contribute numerous hours to assist the Foundation in carrying out certain aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

## 2. Investments:

|              | 2017              | 2016              |
|--------------|-------------------|-------------------|
| Mutual funds | 226,929           | 144,125           |
| GIC          | 235,288           | 100,000           |
|              | <u>\$ 462,217</u> | <u>\$ 244,125</u> |

## 3. Due to Norfolk General Hospital:

The Foundation purchases administrative services from Norfolk General Hospital ("the Hospital"). The total of these purchased services for the year amounted to \$239,631 (2016 - \$221,657). The transactions are in the normal course of operations and are measured at the exchange value which is the amount agreed by the related parties. In addition, the Hospital makes all payments associated with the Foundation's capital and operating costs, and then recovers all of these payments from the Foundation. As at March 31, 2017 the Hospital owes the Foundation \$24,801 (2016 - \$17,481 was owed to the Hospital from the Foundation).

# THE NORFOLK GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 4. Restricted fund:

|                        | Opening<br>balance | Donation  | Investment<br>income | Expenses    | Charitable<br>disbursements | Closing<br>balance |
|------------------------|--------------------|-----------|----------------------|-------------|-----------------------------|--------------------|
| Internally restricted: |                    |           |                      |             |                             |                    |
| CT/PACS                | \$ 23,534          | \$ -      | \$ -                 | \$ -        | \$ (23,534)                 | \$ -               |
| Legacy                 | 145,128            | 50,640    | 2,110                | (15,192)    | -                           | 182,686            |
|                        | 168,662            | 50,640    | 2,110                | (15,192)    | (23,534)                    | 182,686            |
| Externally restricted: |                    |           |                      |             |                             |                    |
| Detox                  | 20,992             | 3,016     | 281                  | -           | (4,071)                     | 20,218             |
| Education              | 11,047             | -         | 110                  | -           | -                           | 11,157             |
| Palliative             | 13,256             | 11,880    | 311                  | (3,564)     | (2,437)                     | 19,446             |
| ICCU                   | 3,441              | 100       | 36                   | (30)        | -                           | 3,547              |
| Other                  | 25,402             | 2,500     | 292                  | (450)       | (809)                       | 26,935             |
|                        | 74,138             | 17,946    | 1,030                | (4,044)     | (7,317)                     | 81,303             |
|                        | \$ 242,800         | \$ 68,136 | \$ 3,140             | \$ (19,236) | \$ (30,851)                 | \$ 263,989         |

The restricted net assets identified above are included in the cash and investment balances recorded on the Statement of Financial Position. The above donation receipts, investment income, expenses and charitable disbursements have been included on the Statement of Operations.

## 5. Funds restricted by endowment:

Funds restricted by endowment are comprised of the Endowment Fund, the Quanbury Bursary Fund and the Hazel Race Career Advancement Fund.

For the Endowment Fund, the original principal must remain intact and interest earned on the endowment funds is available for the general purposes of the Foundation and have been included on the Statement of Operations.

For the Quanbury Bursary Fund and Hazel Race Career Advancement Fund, the original principal must remain intact and interest earned on bursary funds is available to offset staff education costs at the Hospital which is in accordance with the original intentions of the donors.

# THE NORFOLK GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 5. Funds restricted by endowment (continued):

The funds restricted by endowment are comprised of the following:

|                                    | 2017       | 2016       |
|------------------------------------|------------|------------|
| Ralph C. and Bertha Bint           | \$ 5,000   | \$ 5,000   |
| George Alfred Quance               | 5,000      | 5,000      |
| Margaret Abercrombie               | 100        | 100        |
| Alexander McCall                   | 5,000      | 5,000      |
| Carrie McCall                      | 5,000      | 5,000      |
| Martha Brooks                      | 2,100      | 2,100      |
| Emily Murray                       | 2,346      | 2,346      |
| Ruth Jamieson                      | 5,000      | 5,000      |
| Mary Josephine Donahue             | 1,000      | 1,000      |
| John Aaron Jamieson                | 5,000      | 5,000      |
| William Robert Horn                | 16,913     | 16,913     |
| James Thomas Horn                  | 24,919     | 24,919     |
| Flora Bell Martin                  | 5,000      | 5,000      |
| Fred Steinhoff                     | 86,675     | 86,675     |
| Sophie Chandler                    | 2,000      | 2,000      |
| Mable V. Rowat                     | 500        | 500        |
| Frances C. Thompson                | 4,000      | 4,000      |
| Margaret Thompson                  | 4,000      | 4,000      |
| Frances M. Reid                    | 5,000      | 5,000      |
| Priscilla H. Erwin                 | 200        | 200        |
| Frances A. Phelan                  | 2,837      | 2,837      |
| Monte M. Smith                     | 1,000      | 1,000      |
| Alison M. Farrar                   | 5,000      | 5,000      |
| John G. Farrar                     | 48,535     | 48,535     |
| Jessie H. Farrar                   | 10,000     | 10,000     |
| Pearl E. Wilson                    | 10,000     | 10,000     |
| G. Jay McKiee                      | 5,000      | 5,000      |
| Marian McKiee                      | 2,384      | 2,384      |
| Endowment Fund                     | 269,509    | 269,509    |
| Quanbury Bursary Fund              | 127,986    | 127,986    |
| Hazel Race Career Advancement Fund | 24,473     | 25,721     |
|                                    | \$ 421,968 | \$ 423,216 |

# THE NORFOLK GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 6. Donations:

Donations during the year, categorized by major project, are as follows:

|                                | 2017                | 2016                |
|--------------------------------|---------------------|---------------------|
| Lend a hand                    | \$ 13               | \$ 71               |
| Patient care equipment upgrade | 486,579             | 692,143             |
| Building A Better Hospital     | 919,039             | 405,081             |
| Other and unspecified          | 1,482               | 250                 |
|                                | <u>\$ 1,407,113</u> | <u>\$ 1,097,545</u> |

Included in donations above are the net proceeds from the Nevada Lottery. The net proceeds are recorded net of expenses paid by the Foundation to allow an independent service operator to sell Nevada tickets. During the year, the Foundation received net proceeds of \$29,653 (2016 - \$36,783) which was comprised of revenue of \$60,895 (2016 - \$77,012) and expenses of \$31,242 (2016 - \$40,229).

## 7. Appeal and fundraising:

Appeal and fundraising expenses are categorized as follows:

|                 | 2017             | 2016              |
|-----------------|------------------|-------------------|
| Golf tournament | \$ 59,204        | \$ 91,514         |
| Holiday appeal  | 14,441           | 7,913             |
| Legacy giving   | 10,000           | -                 |
| Radio-a-thon    | 7,903            | 8,089             |
| Spring appeal   | 2,719            | 7,450             |
|                 | <u>\$ 94,267</u> | <u>\$ 114,966</u> |

## 8. Funds disbursed for charitable purposes:

During the year the Foundation disbursed \$584,464 (2016 - \$254,175). This was comprised of \$577,568 (2016 - \$249,904) for capital purposes and \$6,896 (2016 - \$4,271) for education expenses to Norfolk General Hospital.

# THE NORFOLK GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 9. Planned giving:

The Foundation is the sole beneficiary to life insurance policies totaling \$10,000 the proceeds of which will be realized upon the death of the insured individual(s).

## 10. Financial instruments:

### (a) Credit risk:

Credit risk is the risk of financial loss to the Foundation if a counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Foundation consisting of cash, investments and accounts receivable.

The maximum exposure to credit risk of the Foundation at March 31, 2017 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2016.

### (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 have been no significant changes to the liquidity risk exposure from 2016.