

Financial Statements of

**NORFOLK GENERAL
HOSPITAL FOUNDATION**

Year ended March 31, 2018



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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, 2018, 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, 2018 and March 31, 2017 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, 2018.

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, 2018 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

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 29, 2018

NORFOLK GENERAL HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 3,420,881	\$ 1,812,165
Investments (note 2)	653,333	462,217
Accounts receivable	5,695	1,896
Harmonized sales tax recoverable	4,731	4,393
Due from Norfolk General Hospital (note 3)	-	24,801
Prepaid expenses	30,501	25,634
	<u>4,115,141</u>	<u>2,331,106</u>
Equipment (note 4)	3,677	-
	<u>\$ 4,118,818</u>	<u>\$ 2,331,106</u>
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,482	\$ 13,444
Due to Norfolk General Hospital (note 3)	615,069	-
	<u>628,551</u>	<u>13,444</u>
Fund balances:		
Unrestricted	2,629,748	1,631,705
Restricted (note 5)	437,644	263,989
Endowment (note 6)	422,875	421,968
	<u>3,490,267</u>	<u>2,317,662</u>
	<u>\$ 4,118,818</u>	<u>\$ 2,331,106</u>

See accompanying notes to financial statements.

THE NORFOLK GENERAL HOSPITAL FOUNDATION

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenues:		
Donations (note 7)	\$ 2,244,813	\$ 1,407,113
Investment income	42,098	36,537
	<u>2,286,911</u>	<u>1,443,650</u>
Expenses:		
Salaries and benefits (note 3)	247,093	239,631
Appeal and fundraising (note 8)	72,119	94,267
Office	27,501	20,701
Professional fees	25,238	4,358
Advertising and public relations	5,539	1,563
Amortization of equipment	735	-
	<u>378,225</u>	<u>360,520</u>
Excess of revenues over expenses before undernoted	1,908,686	1,083,131
Other expenses:		
Funds disbursed for charitable purpose (note 9)	(736,081)	(584,464)
Excess of revenues over expenses	<u>\$ 1,172,605</u>	<u>\$ 498,666</u>

See accompanying notes to financial statements.

THE NORFOLK GENERAL HOSPITAL FOUNDATION

Statement of Changes in Fund Balances

Year ended March 31, 2018 with comparative information for 2017

	Unrestricted	Restricted (note 5)	Endowment (note 6)	2018	2017
Balance, beginning of year	\$ 1,631,705	\$ 263,989	\$ 421,968	\$ 2,317,662	\$ 1,818,996
Excess of revenues over expenses for the year	998,043	173,655	907	1,172,605	498,666
Balance, end of year	\$ 2,629,748	\$ 437,644	\$ 422,875	\$ 3,490,267	\$ 2,317,662

See accompanying notes to financial statements.

THE NORFOLK GENERAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2018 with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses for the year	\$ 1,172,605	\$ 498,666
Item not involving cash:		
Amortization of equipment	735	-
Change in unrealized gain on investments	4,190	(10,646)
	<u>1,177,530</u>	<u>488,020</u>
Change in non-cash operating working capital balances:		
Accounts receivable	(3,799)	(969)
Prepaid expenses	(4,867)	(604)
Accounts payable and accrued liabilities	38	8,944
Harmonized sales tax recoverable	(338)	6,271
Due to (from) Norfolk General Hospital	639,870	(42,282)
	<u>630,904</u>	<u>(28,640)</u>
Cash flow from operating activities	1,808,434	459,380
Capital activity:		
Purchase of equipment	(4,412)	-
Investing activity:		
Purchase of investments	(195,306)	(207,446)
Increase in cash	1,608,716	251,934
Cash, beginning of year	1,812,165	1,560,231
Cash, end of year	<u>\$ 3,420,881</u>	<u>\$ 1,812,165</u>

See accompanying notes to financial statements.

THE NORFOLK GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2018

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, 2018

1. Significant accounting policies (continued):

(c) Equipment:

Equipment is recorded at cost less accumulated amortization. Equipment is amortized on the straight-line basis over their estimated useful lives. When an asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value.

Equipment is amortized on a straight-line basis using the following annual rates:

Asset	Years
Equipment	3

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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. Management has not elected to record these 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 NORFOLK GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

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.

(e) 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, impairment of investments and estimation of accrued liabilities. Actual results could differ from those estimates.

(f) 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:

	2018		2017	
	Book value	Market value	Book value	Market value
Cash and cash equivalents	\$ 36	\$ 36	\$ -	\$ -
Mutual funds	222,320	230,023	215,036	226,929
GIC	423,274	423,274	235,288	235,288
	\$ 645,630	\$ 653,333	\$ 450,324	\$ 462,217

THE NORFOLK GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

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 \$247,093 (2017 - \$239,631). 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, 2018 the Foundation owes the Hospital \$615,069 (2017 - \$24,801 was owed to the Foundation from the Hospital).

4. Equipment:

				2018	2017
	Cost	Accumulated amortization	Net book value	Net book value	
Equipment	\$ 4,412	\$ 735	\$ 3,677	\$ -	

5. Restricted fund:

	Opening balance	Donation	Investment income	Expenses	Charitable disbursements	Closing balance
Internally restricted:						
CT/PACS	\$ -	\$ 20	\$ -	\$ (5)	\$ -	\$ 15
Legacy	182,686	272,270	4,143	(81,681)	-	377,418
	182,686	272,290	4,143	(81,686)	-	377,433
Externally restricted:						
Detox	20,218	4,013	187	-	-	24,418
Education	11,157	-	86	-	-	11,243
Palliative	19,446	405	308	(122)	(20,037)	-
ICCU	3,547	150	29	(45)	-	3,681
Other	26,935	6,000	2,167	-	(14,233)	20,869
	81,303	10,568	2,777	(167)	(34,270)	60,211
	\$ 263,989	\$ 282,858	\$ 6,920	\$ (81,853)	\$ (34,270)	\$ 437,644

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.

THE NORFOLK GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

6. 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, 2018

6. Funds restricted by endowment (continued):

The funds restricted by endowment are comprised of the following:

	2018	2017
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	25,380	24,473
	\$ 422,875	\$ 421,968

THE NORFOLK GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Donations:

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

	2018	2017
Patient care equipment upgrade	\$ 457,379	\$ 484,762
Building A Better Hospital	1,781,073	919,039
Other and unspecified	6,361	3,312
	<u>\$ 2,244,813</u>	<u>\$ 1,407,113</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 \$20,637 (2017 - \$29,653) which was comprised of revenue of \$42,537 (2017 - \$60,895) and expenses of \$21,900 (2017 - \$31,242).

8. Appeal and fundraising:

Appeal and fundraising expenses are categorized as follows:

	2018	2017
Golf tournament	\$ 52,050	\$ 59,204
Holiday appeal	16,508	14,441
Legacy giving	-	10,000
Radio-a-thon	3,561	7,903
Spring appeal	-	2,719
	<u>\$ 72,119</u>	<u>\$ 94,267</u>

9. Funds disbursed for charitable purposes:

During the year the Foundation disbursed \$736,081 (2017 - \$584,464). This was comprised of \$730,707 (2017 - \$577,568) for capital purposes and \$5,374 (2017 - \$6,896) for education expenses to the Hospital.

THE NORFOLK GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

10. 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).

11. 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, 2018 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2017.

(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 2017.