

Financial Statements of

**GRAND RIVER HOSPITAL
FOUNDATION**

Fifteen month period ended March 31, 2016

GRAND RIVER HOSPITAL FOUNDATION

Financial Statements

Fifteen month period ended March 31, 2016

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Grand River Hospital Foundation

We have audited the accompanying financial statements of Grand River Hospital Foundation which comprise the statement of financial position as at March 31, 2016, the statements of operations and changes in fund balances and cash flows for the fifteen month period ended March 31, 2016, 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.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grand River Hospital Foundation as at March 31, 2016, and the results of its operations and its cash flows for the fifteen month period ended March 31, 2016 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 8, 2016
Waterloo, Canada

GRAND RIVER HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2016, with comparative information for December 31, 2014

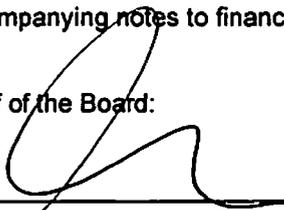
	2016	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,832,992	\$ 883,776
Marketable securities (note 2)	698,723	1,087,098
Accounts receivable	64,422	67,501
Accrued interest	123,761	71,674
Prepays	35,422	43,647
	<u>3,755,320</u>	<u>2,153,696</u>
Investments (note 2)	31,226,112	30,631,115
Capital assets (note 3)	28,732	31,377
	<u>\$ 35,010,164</u>	<u>\$ 32,816,188</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 35,757	\$ 38,481
Due to Grand River Hospital Corporation (note 4)	161,378	254,643
	<u>197,135</u>	<u>293,124</u>
Fund balances:		
Endowment	2,681,460	2,729,770
Restricted	14,331,646	12,409,344
Unrestricted	17,799,923	17,383,950
	<u>34,813,029</u>	<u>32,523,064</u>
	<u>\$ 35,010,164</u>	<u>\$ 32,816,188</u>

See accompanying notes to financial statements.

On behalf of the Board:



Governor



Governor

GRAND RIVER HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

Fifteen month period ended March 31, 2016, with comparative information for the year ended December 31, 2014

	Endowment	Restricted	Unrestricted	Fifteen month period ended March 31, 2016	Year ended December 31, 2014
Revenue:					
Donations from annual, leadership and planned giving	\$ 3,001	\$ 6,410,654	\$ 1,680,638	\$ 8,094,293	\$ 5,699,185
Donations from Grand River Hospital Volunteer Association	-	127,000	-	127,000	127,000
Donations-in-kind	-	2,919	-	2,919	28,373
Investment income (note 5)	90,955	170	1,522,915	1,614,040	3,810,592
	93,956	6,540,743	3,203,553	9,838,252	9,665,150
Expenses:					
Direct fund raising: (note 6)					
Annual giving	-	927,262	205,389	1,132,651	884,034
Leadership and planned giving	-	252,214	164,193	416,407	254,312
Operating expenses:					
Salaries	-	-	593,669	593,669	350,092
Office and administrative	654	3,194	399,980	403,828	299,826
Amortization	-	-	12,905	12,905	9,689
	654	1,182,670	1,376,136	2,559,460	1,797,953
Grants:					
Cash grants to Grand River Hospital Corporation	141,612	3,432,852	1,411,444	4,985,908	5,897,417
Cash grants to Guelph General Hospital Foundation	-	-	-	-	30
In-kind grants to Grand River Hospital Corporation	-	2,919	-	2,919	28,373
	141,612	3,435,771	1,411,444	4,988,827	5,925,820
Excess (deficiency) of revenue over expenses and grants	(48,310)	1,922,302	415,973	2,289,965	1,941,377
Fund balances, beginning of period	2,729,770	12,409,344	17,383,950	32,523,064	30,581,687
Fund balances, end of period	\$ 2,681,460	\$ 14,331,646	\$ 17,799,923	\$ 34,813,029	\$ 32,523,064

See accompanying notes to financial statements.

GRAND RIVER HOSPITAL FOUNDATION

Statement of Cash Flows

Fifteen month period ended March 31, 2016, with comparative information for the year ended December 31, 2014

	Fifteen month period ended March 31, 2016	Year ended December 31, 2014
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses and grants	\$ 2,289,965	\$ 1,941,377
Items not involving cash:		
Amortization of capital assets	12,905	9,689
Change in fair value of investments (note 5)	(465,594)	(2,752,749)
Change in non-cash operating working capital	(136,772)	(624,336)
	<u>1,700,504</u>	<u>(1,426,019)</u>
Investing:		
Purchase of capital assets	(10,260)	(5,197)
Purchase of marketable securities	(11,625)	(14,769)
Purchase of investments	(1,694,940)	(1,890,617)
Proceeds of sale of marketable securities	400,000	-
Proceeds of sale of investments	1,545,779	2,223,408
Change in cash surrender value – life insurance	19,758	-
	<u>248,712</u>	<u>312,825</u>
Increase (decrease) in cash and cash equivalents	1,949,216	(1,113,194)
Cash and cash equivalents, beginning of period	883,776	1,996,970
Cash and cash equivalents, end of period	<u>\$ 2,832,992</u>	<u>\$ 883,776</u>

See accompanying notes to financial statements.

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements

Fifteen month period ended March 31, 2016

The Grand River Hospital Foundation's (the "Foundation") predominate declared purpose is to raise funds to finance the purchase of capital assets, as well as local clinic and health research and education, as directed by the donors, for the Grand River Hospital Corporation (the "Hospital"). The Foundation is incorporated, without share capital, under the laws of Ontario and is registered with Canada Revenue Agency as a Public Foundation. It is exempt from income tax and may issue charitable donation receipts to donors as long as it continues to meet the requirements of the Income Tax Act.

The Foundation changed its fiscal year end from December 31 to March 31. The fiscal period ended March 31, 2016 represents 15 months of operations.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Chartered Professional Accountants of Canada Handbook Part III - Canadian accounting standards for not-for-profit organizations. The significant policies are summarized below:

(a) Fund accounting:

In order to ensure observance of the limitations and restrictions on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. These funds are held in accordance with the objectives specified by the donors, or in accordance with directives issued by the Board of Governors. Transfers between the funds are made when it is considered appropriate and authorized by the Board of Governors. To meet the objectives of financial reporting and stewardship over the assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded as a component of changes in fund balances.

For financial reporting purposes, the accounts have been classified into the following funds:

- (i) Restricted funds include amounts that are restricted in accordance with the objectives as specified by the donors. Fundraising costs directly associated with specific restricted funds are charged to those funds. Included in restricted funds are funds for the Grand River Hospital's KW Health Centre and Freeport Health Centre and Grand River Regional Cancer Centre. These funds are considered to be restricted as they can only be used for costs incurred at each respective site.
- (ii) Unrestricted funds include all other expendable funds and investments. A portion of operating expenses are charged to the unrestricted fund.
- (iii) Endowment funds are resources that are required to be maintained by the Foundation on a permanent basis. Revenue of the endowment fund is limited to amounts that have been restricted for endowment purposes by the external contributor.

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Fifteen month period ended March 31, 2016

1. Significant accounting policies (continued):

(b) Revenue recognition:

Donations designated by the donor as endowment contributions are recognized as revenue in the endowment fund. All other donor-restricted contributions are recognized as revenue of the restricted fund. Unrestricted contributions are recognized as revenue of the unrestricted fund.

Contributions are recognized in revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition. These financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(e) Capital assets:

Capital assets are stated at cost. Amortization is recorded on all capital assets over the estimated useful life of the assets at the following annual rates:

Asset	Basis	Rate
Office equipment	Declining-balance	20%
Computer hardware	Declining-balance	45%
Computer software	Declining-balance	45%
Website	Straight-line	5 years

The carrying value of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount is not recoverable and exceeds its fair value.

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Fifteen month period ended March 31, 2016

1. Significant accounting policies (continued):

(f) Donations-in-kind:

Donated materials contributed to the Foundation are recorded at fair market value when provided.

(g) 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. Management has elected to record bonds at fair value.

Financial assets and liabilities are recognized on the trade date at which the Foundation becomes a party to the contractual provisions of the instruments.

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 at cost or amortized cost 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 carrying value.

(h) Life insurance policies:

For life insurance policies amounts are recorded as an asset and revenue of the Unrestricted Fund to the extent there is a cash surrender value. Revenue and expenses during the year reflect the difference between the annual premium and the increase in cash surrender value. Any policy premiums paid by the Foundation for life insurance policies, are recorded as an expense. When a contributor pays the premium, the premium paid is recorded as revenue and an expense.

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Fifteen month period ended March 31, 2016

1. Significant accounting policies (continued):

(i) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

2. Marketable securities and investments:

	2016	2014
Marketable securities (measured at fair value):		
Money market fund	\$ 698,723	\$ 1,087,098
Investments (measured at fair value):		
Canadian equities	7,865,729	8,425,470
Foreign equities	5,428,489	4,534,469
Bonds	15,730,573	15,653,797
Bond fund	1,434,636	1,370,220
Canadian equity fund	766,685	627,401
Cash surrender value – life insurance	-	19,758
Total investments	31,226,112	30,631,115
Total marketable securities and investments	\$ 31,924,835	\$ 31,718,213

Bonds consist of Government of Canada, Provincial, Municipal and Corporate bonds which have effective interest rates ranging from 1.50% to 5.95% (December 31, 2014 - 1.50% to 5.95%) and maturing from April 2016 to May 2046 (December 31, 2014 - from December 2015 to May 2046).

3. Capital assets:

			2016	2014
	Cost	Accumulated amortization	Net book value	Net book value
Office equipment	\$ 90,307	\$ 78,837	\$ 11,470	\$ 11,499
Computer hardware	161,872	160,359	1,513	597
Computer software	105,605	100,943	4,662	2,650
Website	20,788	9,701	11,087	16,631
	\$ 378,572	\$ 349,840	\$ 28,732	\$ 31,377

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Fifteen month period ended March 31, 2016

4. Due to the Grand River Hospital Corporation:

The Foundation is a separate entity and disburses funds at the discretion of its own Board of Governors. As a significant portion of the Foundation's funds benefit the Hospital, the Hospital is a related entity.

Effective January 1, 2014, the Foundation entered into a formal agreement with the Hospital for the Hospital to continue to provide staff services to the Foundation.

The Foundation reimbursed the Hospital for expenses paid by the Hospital on behalf of the Foundation in the amount of \$1,341,464 (December 31, 2014 - \$802,337). The expenses include amounts for staff performing functions on behalf of the Foundation.

The amount due to the Hospital of \$161,378 (December 31, 2014 - \$254,643) represents grants for approved capital and minor funding made by the Hospital of \$44,481 (December 31, 2014 - \$172,878), and \$116,897 (December 31, 2014 - \$81,765) in net operating expenses, not yet reimbursed by the Foundation.

5. Investment income:

	Fifteen month period ended March 31, 2016	Year ended December 31, 2014
Interest	\$ 683,072	\$ 443,113
Dividends	465,204	615,741
Gain (loss) on sale of stock donations	170	(1,011)
Change in fair value of investments	465,594	2,752,749
Total investment income	\$ 1,614,040	\$ 3,810,592

Investment income earned on restricted funds in the year is deemed for unrestricted use by the Board of Governors.

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Fifteen month period ended March 31, 2016

6. Allocation of direct fundraising expenses:

The Foundation allocates direct fundraising expenses including administrative, salaries and benefits and other costs that are directly related to the relevant fund. The Foundation allocates certain general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year.

Salaries and benefit expenses for the endowment, restricted and unrestricted funds are allocated based on the percentage of time spent on the direct fundraising activity. Administrative, special events, marketing and consulting fees are recorded in the fund that the direct cost relates to.

The direct fundraising expenses by fund are as follows:

	Restricted Fifteen month period ended March, 31 2016	Unrestricted Fifteen month period ended March 31, 2016
Annual giving:		
Salaries and benefits	\$ 339,011	\$ 119,207
Special event and marketing expenses	588,251	86,182
	<u>\$ 927,262</u>	<u>\$ 205,389</u>
Leadership and planned giving:		
Salaries and benefits	\$ 235,332	\$ 106,483
Administrative expenses	16,882	57,710
	<u>\$ 252,214</u>	<u>\$ 164,193</u>
	Restricted Year ended December 31, 2014	Unrestricted Year ended December 31, 2014
Annual giving:		
Salaries and benefits	\$ 249,277	\$ 72,088
Special event and marketing expenses	464,316	98,353
	<u>\$ 713,593</u>	<u>\$ 170,441</u>
Leadership and planned giving:		
Salaries and benefits	\$ 109,363	\$ 50,248
Administrative expenses	1,299	92,402
	<u>\$ 110,662</u>	<u>\$ 143,650</u>

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Fifteen month period ended March 31, 2016

7. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by the Board of Governors which establishes a target mix by investment types designed to achieve optimal return within reasonable risk tolerances. The Foundation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Foundation is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about fixed rate financial instruments are included in note 2.

The Foundation is exposed to foreign currency risk on its US dollar denominated investments. Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation holds US denominated investments of \$3,840,373 and cash of \$83,501 as at March 31, 2016 (December 31, 2014 – US denominated investments of \$4,272,720 and cash of \$109,154).

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. Trade accounts payable and accrued liabilities are generally paid within 30 days.

The Foundation believes that it is not exposed to significant market, credit or cash flow risk arising from its financial instruments.