



Grant Thornton



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Financial Statements

Prince County Hospital Foundation Inc.

December 31, 2015

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Grant Thornton

Independent auditor's report

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To the members of
The Board of
Prince County Hospital Foundation

We have audited the accompanying financial statements of Prince County Hospital Foundation Inc., which comprise the statement of financial position as at December 31, 2015, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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.

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 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 the auditor's 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 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 charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2015 and 2014, and assets, liabilities and net assets at December 31, 2015, and 2014.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Prince County Hospital Foundation Inc. as at December 31, 2015, 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.

Grant Thornton LLP

Summerside, Prince Edward Island

April 18, 2016

Chartered Professional Accountants

Prince County Hospital Foundation Inc.

Statement of operations

Year ended December 31

2015

2014

	<u>Restricted</u>	<u>Endowment</u>	<u>Total</u>	<u>Total</u>
Revenue				
Donations				
General	\$ 1,411,232	\$ 2,086,981	\$ 3,498,213	\$ 2,242,128
Provincial government	500,000	-	500,000	-
Insurance policies	25,613	-	25,613	2,000
Donor designated	17,219	-	17,219	25,430
Auxiliaries	32,715	-	32,715	51,000
Wilkinson Student Nurses Bursary	12,254	-	12,254	8,553
Youth board revenue	1,806	-	1,806	1,513
	<u>2,000,839</u>	<u>2,086,981</u>	<u>4,087,820</u>	<u>2,330,624</u>
Investment income, net (Note 3)	158,485	340,493	498,978	505,568
Realized gain on sale of investments	115,136	247,367	362,503	13,403
Change in unrealized gain on investments measured at fair value	<u>(133,456)</u>	<u>(286,723)</u>	<u>(420,179)</u>	<u>379,168</u>
	<u>140,165</u>	<u>301,137</u>	<u>441,302</u>	<u>898,139</u>
Other	-	-	-	1,664
	<u>2,141,004</u>	<u>2,388,118</u>	<u>4,529,122</u>	<u>3,230,427</u>
Expenses				
Payments to Prince County				
Hospital for equipment	600,681	-	600,681	2,114,287
Salaries and benefits	68,369	146,889	215,258	228,744
Fund raising expenses	71,431	77,194	148,625	167,178
Insurance policies	25,612	-	25,612	2,000
Administration	11,900	25,570	37,470	47,958
Professional fees	9,783	21,017	30,800	32,127
Wilkinson Student Nurses Bursary	11,593	-	11,593	9,479
PCH Foundation continuing education bursary	-	8,149	8,149	4,773
Depreciation	182	390	572	581
Youth Board Fundraising	64	139	203	361
	<u>799,615</u>	<u>279,348</u>	<u>1,078,963</u>	<u>2,607,488</u>
Excess of revenues over expenses	<u>\$ 1,341,389</u>	<u>\$ 2,108,770</u>	<u>\$ 3,450,159</u>	<u>\$ 622,939</u>

See accompanying notes to the financial statements

Prince County Hospital Foundation Inc.
Statement of changes in net assets

Year ended December 31

	2015			2014
	<u>Restricted</u>	<u>Endowment</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 6,256,943	\$ 13,442,755	\$ 19,699,698	\$ 19,076,759
Excess of revenues over expenses	<u>1,341,389</u>	<u>2,108,770</u>	<u>3,450,159</u>	<u>622,939</u>
Balance, end of year	<u>\$ 7,598,332</u>	<u>\$ 15,551,525</u>	<u>\$ 23,149,857</u>	<u>\$ 19,699,698</u>

See accompanying notes to the financial statements

Prince County Hospital Foundation Inc.
Statement of financial position

December 31

2015

2014

Assets

Receivables	\$ 11,091	\$ 13,150
Prepaid expenses	13,507	12,420
Investments (Note 4)	23,977,016	20,540,574
Tangible capital assets (Note 5)	14,286	14,857
	<u>\$ 24,015,900</u>	<u>\$ 20,581,001</u>

Liabilities

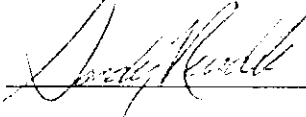
Payables	\$ 75,484	\$ 66,499
Due to Prince County Hospital - Education Fund	166,805	169,578
Wilkinson Funds (Note 7)	623,754	645,226
	<u>866,044</u>	<u>881,303</u>


Net assets

Restricted (Page 4)	7,598,332	6,256,943
Endowment (Page 4)	15,551,525	13,442,755
Total net assets	<u>23,149,857</u>	<u>19,699,698</u>
	<u>\$ 24,015,900</u>	<u>\$ 20,581,001</u>

Commitments (Note 6)

On behalf of the Board





Prince County Hospital Foundation Inc.

Statement of cash flows

Year Ended December 31

2015

2014

Increase (decrease) in cash, bonds and short term investments measured at amortized cost

	2015	2014
Operating		
Excess of revenues over expenditures	\$ 3,450,159	\$ 622,939
Depreciation	572	581
Change in unrealized gain on investments measured at fair value	420,179	(379,168)
Realized gain on sale of investments	<u>(362,503)</u>	<u>(13,403)</u>
	3,508,407	230,949
Changes in working capital items:		
Receivables	2,059	(4,695)
Prepaid expenses	(1,087)	(779)
Asset held for sale	-	30,000
Accounts payable	8,985	3,187
Due from Prince County Hospital – Educational Fund	<u>(2,773)</u>	<u>(3,094)</u>
	<u>3,515,591</u>	<u>255,568</u>
Investment		
Change in investments measured at fair value	<u>1,511,095</u>	<u>(2,298,260)</u>
Capital		
Change in Wilkinson Funds	<u>(21,472)</u>	<u>20,802</u>
Net increase (decrease) in cash, bonds and short term investments measured at amortized cost	5,005,214	(2,021,890)
Cash, bonds and short term investments measured at amortized cost, beginning of year	<u>10,725,127</u>	<u>12,747,018</u>
Cash, bonds and short term investments measured at amortized cost, end of year	<u>\$ 15,730,341</u>	<u>\$ 10,725,128</u>

Prince County Hospital Foundation Inc.

Notes to the financial statements

December 31, 2015

1. Purpose of the organization

Prince County Hospital Foundation Inc. (the "Foundation") is an incorporated non-profit organization and is a registered charity under the Income Tax Act.

The Foundation was created to manage the endowment funds of the former Board of Trustees of Prince County Hospital (the "Hospital"), to accept new donations and gifts and to conduct fund raising activities. These funds are to be utilized solely for the benefit of the Hospital.

2. Summary of significant accounting policies

Basis of presentation

The Foundation's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Use of estimates

In preparing the Foundation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Significant estimates include fair value measurement and amortization of property and equipment.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. It maintains two separate funds, the Restricted Fund, and the Endowment Fund.

The Restricted Fund consists of donations from general fund-raising activities which include the "Annual Equipment" and "Lights for Life" campaigns. These monies together with the investment income earned on this fund less an allocation of administration and fundraising costs support the ongoing equipment needs of the Hospital. The Restricted Fund includes donations restricted by the donor.

The Endowment Fund includes donations where by the donor or the Prince County Hospital Foundation Board has restricted the principal amount of the donation in perpetuity. Investment income earned on these funds may be restricted by the Prince County Hospital Foundation Board or the donor. Investment income earned on this fund is allocated to the fund less an allocation of administration and fundraising costs.

Administration and Fundraising costs are allocated based on the Fund balances at the beginning of the fiscal year.

Prince County Hospital Foundation Inc.

Notes to the financial statements

December 31, 2015

2. Summary of significant accounting policies (cont'd)

Revenue recognition

Donations, which include bequests, are recorded when the cash is received. Outstanding pledges have not been recorded as donations in these financial statements.

Non-monetary donations, such as stock donations, are recorded at fair market value when received.

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting. Investment income includes interest income and dividend income. Amortization of bond investment premiums and discounts are recognized on a straight-line basis. Dividend income is recognized upon distribution. Changes in fair value are recognized when they occur.

Contributed materials and services

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

The Foundation may recognize contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

Collections

The Foundation does not recognize collections of rare books, cultural property, art work, etc. in the financial statements. The only significant collection held is the "Heritage Collection," assembled by the late Diana Savidant.

Equipment donations

Donations to fund equipment purchases for the Prince County Hospital are recognized when paid.

Tangible capital assets

Purchased tangible capital assets greater than \$2,000 are recorded at cost. Contributed tangible capital assets are recorded at fair market value at the date of contribution.

Annual rates and bases of depreciation applied to write-off the cost less estimated salvage value of tangible capital assets over their estimated lives are as follows:

Building	35 years	straight line
Office equipment	20%	straight line

Prince County Hospital Foundation Inc.

Notes to the financial statements

December 31, 2015

2. Summary of significant accounting policies (cont'd)

Financial assets and liabilities

Upon initial measurement, the Foundation's financial assets and liabilities are measured at fair value. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred. In the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, the carrying value is increased or decreased by the amount of the related financing fees and transaction costs.

At each reporting date, the Foundation measures its financial assets and liabilities at amortized cost, including any impairment in the case of financial assets. Investments in equities that are traded in an active market are measured at fair value, along with certain bond investments, which the Foundation has elected to measure at fair value.

With respect to financial assets measured at amortized cost, the Foundation assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Foundation determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

3. Investment income, net	<u>2015</u>	<u>2014</u>
Investments measured at fair value	\$ 256,671	\$ 250,750
Investments measured at amortized cost	351,246	353,643
Amortization of bond premium/discount	(21,062)	(12,457)
Investment manager fees	<u>(87,877)</u>	<u>(88,368)</u>
	\$ <u>498,978</u>	\$ <u>505,568</u>

Prince County Hospital Foundation Inc.

Notes to the financial statements

December 31, 2015

4. Investments	<u>2015</u>	<u>2014</u>
Cash, short term investments and bonds, measured at amortized cost	\$ <u>15,730,341</u>	\$ 10,725,128
Stocks and bonds, measured at fair value	<u>8,246,675</u>	<u>9,815,446</u>
	<u>\$ 23,977,016</u>	<u>\$ 20,540,574</u>

	<u>2015</u>		<u>2014</u>	
	<u>Amortized Cost</u>	<u>Market</u>	<u>Amortized Cost</u>	<u>Market</u>
Cash, short term investments, and bonds, measured at amortized cost				
Cash	\$ 2,305,526	\$ 2,315,012	\$ 1,064,624	\$ 1,064,734
Bonds	<u>13,424,815</u>	<u>13,543,087</u>	<u>9,660,504</u>	<u>10,983,333</u>
	<u>\$ 15,730,341</u>	<u>\$ 15,858,099</u>	<u>\$ 10,725,128</u>	<u>\$ 12,048,067</u>

Maturity profile of bonds, measured at amortized cost				
	1 to 5 <u>Years</u>	5 to 10 <u>Years</u>	10 to 20 <u>Years</u>	<u>Total</u>
Bonds	\$ <u>8,864,244</u>	\$ <u>2,329,952</u>	\$ <u>2,251,682</u>	\$ <u>13,424,815</u>
Percent of total	<u>66%</u>	<u>17%</u>	<u>17%</u>	<u>100%</u>

The interest rates on the above bonds range from 1% - 6%.

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Stocks and bonds, measured at fair value				
Stocks	\$ 7,488,984	\$ 7,959,741	\$ 6,138,612	\$ 6,990,870
Bonds	<u>280,262</u>	<u>286,934</u>	<u>2,743,857</u>	<u>2,824,576</u>
	<u>\$ 7,769,246</u>	<u>\$ 8,246,675</u>	<u>\$ 8,882,469</u>	<u>\$ 9,815,446</u>

5. Tangible capital assets	<u>2015</u>			<u>2014</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building	\$ 20,000	\$ 5,714	\$ 14,286	\$ 14,857
Equipment	<u>20,118</u>	<u>20,118</u>	<u>-</u>	<u>-</u>
	<u>\$ 40,118</u>	<u>\$ 25,832</u>	<u>\$ 14,286</u>	<u>\$ 14,857</u>

Prince County Hospital Foundation Inc.

Notes to the financial statements

December 31, 2015

6. Commitments

The Foundation has commitments to Prince County Hospital as a result of its annual campaigns. These amounts will be satisfied as equipment designated in each year as acquired. Commitments at year end are as follows:

2013	1,719
2014	290,774
2015	1,886,349

7. Wilkinson Funds

During 2009, the Foundation became the Trustees of Record for the Wilkinson Memorial Hospital Fund and the Wilkinson Student Nurse Bursary Fund. Disbursement for the funds is guided by the original intentions of the Wilkinson Family. The Foundation is acting as Custodian and Trustee of the invested funds. The beneficiaries of the Funds are hospitals located in Prince County and registered nursing students. These assets were created as a separate Trust in 1982 and are maintained separate from those of the Foundation.

			<u>2015</u>	<u>2014</u>
	<u>Memorial</u>	<u>Nurses</u>	<u>Total</u>	<u>Total</u>
Opening balance	\$ 338,207	\$ 307,019	\$ 645,226	\$ 624,424
Investment returns	20,662	18,730	39,392	29,611
Investment cost	(2,474)	(2,253)	(4,727)	(4,687)
Disbursements	(12,557)	(11,399)	(23,956)	(17,826)
Change in unrealized gain (loss)	<u>(16,884)</u>	<u>(15,296)</u>	<u>(32,180)</u>	<u>13,704</u>
Ending balance	\$ <u>326,954</u>	\$ <u>296,801</u>	\$ <u>623,755</u>	\$ <u>645,226</u>

Prince County Hospital Foundation Inc.

Notes to the financial statements

December 31, 2015

8. Financial instruments

The Foundation's main financial risk exposure is detailed as follows:

Market risk

The Foundation's financial instruments expose it to market risk, in particular, interest rate risk, and currency risk, resulting from its investing activities.

An investment policy is in place and its application is monitored by the Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk.

Interest rate risk

The Foundation is exposed to interest rate risk with respect to financial assets bearing fixed interest rates. The term deposits and bond investments bear interest at a fixed rate and the Foundation is, therefore, exposed to the risk of changes in fair values resulting from interest rate fluctuations.

Currency risk

Currency risk relates to the Foundation operating in foreign currencies and converting non Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Foundation's foreign exchange risk is related to its stock holdings. Foreign currency changes are monitored by the investment committee.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

9. Carrying amount of financial assets by categories

	<u>2015</u>	<u>2014</u>
Investments measured at amortized cost:		
Receivables	\$ 11,091	\$ 13,150
Cash, bonds and short term investments measured at amortized cost	<u>15,730,341</u>	<u>10,725,128</u>
	<u>15,741,432</u>	<u>10,738,278</u>
Investments measured at fair value:		
Stocks and bonds measured at fair value	<u>8,246,675</u>	<u>9,815,446</u>
Non-financial assets:		
Prepays	13,507	12,420
Tangible capital assets	<u>14,286</u>	<u>14,857</u>
	<u>27,793</u>	<u>27,277</u>
Total assets	<u>\$ 24,015,900</u>	<u>\$ 20,581,001</u>
