

Financial Statements of

**GRAND RIVER HOSPITAL
FOUNDATION**

Year ended March 31, 2018

GRAND RIVER HOSPITAL FOUNDATION

Financial Statements

Year ended March 31, 2018

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, the statements of operations and changes in fund balances and cash flows for the year ended March 31, 2018, 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.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grand River Hospital Foundation, and the results of its operations and its cash flows for the year ended March 31, 2018 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
June 20, 2018

GRAND RIVER HOSPITAL FOUNDATION

Statement of Financial Position

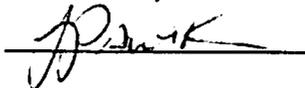
March 31, 2018, with comparative information for March 31, 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 521,516	\$ 651,083
Accounts receivable	99,447	122,174
Prepays	55,013	26,563
	<u>675,976</u>	<u>799,820</u>
Investments (note 2)	29,134,781	32,776,143
Capital assets (note 3)	22,499	16,570
	<u>\$ 29,833,256</u>	<u>\$ 33,592,533</u>
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	59,053	\$ 168,293
Deferred revenue	49,720	-
Due to Grand River Hospital Corporation (note 5)	8,428,693	1,911,270
	<u>8,537,466</u>	<u>2,079,563</u>
Fund balances:		
Endowment	2,907,718	2,720,056
Restricted	3,679,952	12,080,212
Unrestricted	14,708,120	16,712,702
	<u>21,295,790</u>	<u>31,512,970</u>
Commitments (note 9)		
	<u>\$ 29,833,256</u>	<u>\$ 33,592,533</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

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

	Endowment	Restricted	Unrestricted	2018	2017
Revenue:					
Donations from annual, leadership and planned giving	\$ 29,900	\$ 3,752,316	\$ 1,146,003	\$ 4,928,219	\$ 5,755,992
Donations from Smart Hospital Campaign	-	68,849	-	68,849	-
Donations from Grand River Hospital Volunteer Association	-	201,870	200	202,070	162,000
Donations-in-kind	-	8,833	-	8,833	38,241
Investment income (note 6)	226,880	653	2,242,785	2,470,318	2,300,805
	256,780	4,032,521	3,388,988	7,678,289	8,257,038
Expenses:					
Direct fund raising (note 7):					
Annual giving	-	615,363	219,461	834,824	1,186,036
Leadership and planned giving	-	132,405	43,049	175,454	528,088
Smart Hospital Campaign	-	987,083	-	987,083	238,550
Operating expenses:					
Salaries	-	-	542,488	542,488	562,366
Office and administrative	13,039	2,910	333,044	348,993	418,228
Amortization	-	-	5,284	5,284	14,679
	13,039	1,737,761	1,143,326	2,894,126	2,947,947
Grants:					
Cash grants to Grand River Hospital Corporation	56,079	10,686,187	4,250,244	14,992,510	8,570,909
In-kind grants to Grand River Hospital Corporation	-	8,833	-	8,833	38,241
	56,079	10,695,020	4,250,244	15,001,343	8,609,150
Excess (deficiency) of revenue over expenses and grants	187,662	(8,400,260)	(2,004,582)	(10,217,180)	(3,300,059)
Fund balances, beginning of year	2,720,056	12,080,212	16,712,702	31,512,970	34,813,029
Fund balances, end of year	\$ 2,907,718	\$ 3,679,952	\$ 14,708,120	\$ 21,295,790	\$ 31,512,970

See accompanying notes to financial statements.

GRAND RIVER HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2018, with comparative information 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses and grants	\$ (10,217,180)	\$ (3,300,059)
Items not involving cash:		
Amortization of capital assets	5,284	14,679
Change in fair value of investments (note 6)	(461,793)	(623,601)
Change in non-cash operating working capital	6,452,180	1,957,296
	(4,221,509)	(1,951,685)
Investing:		
Purchase of capital assets	(11,213)	(2,517)
Purchase of marketable securities	-	(10,941,904)
Purchase of investments	(2,064,137)	(34,911,038)
Proceeds of sale of marketable securities	-	11,640,627
Proceeds of sale of investments	6,167,292	33,984,608
	4,091,942	(230,224)
Decrease in cash and cash equivalents	(129,567)	(2,181,909)
Cash and cash equivalents, beginning of year	651,083	2,832,992
Cash and cash equivalents, end of year	\$ 521,516	\$ 651,083

See accompanying notes to financial statements.

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2018

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.

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

Year ended March 31, 2018

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.

Revenue from fundraising events is recognized when the event takes place.

(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

Year ended March 31, 2018

1. Significant accounting policies (continued):

(f) Donations-in-kind:

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

(g) Multi-employer plan:

The Foundation employees are members of the Healthcare of Ontario Pension Plan ("HOOPP"), a multi-employer defined benefit pension plan. Defined contribution plan accounting (where contributions are expensed as incurred) is applied to HOOPP as the Foundation does not have the necessary information to apply defined benefit plan accounting.

(h) 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.

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Year ended March 31, 2018

1. Significant accounting policies (continued):

(i) 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.

(j) 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. Investments:

	2018	2017
Balanced pooled fund (market value)	\$ 29,134,781	\$ 32,776,143

3. Capital assets:

	2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value
Office equipment	\$ 104,037	\$ 84,793	\$ 19,244	\$ 11,441
Computer hardware	161,872	161,414	458	832
Computer software	105,605	104,195	1,410	2,564
Website	23,743	22,356	1,387	1,733
	\$ 395,257	\$ 372,758	\$ 22,499	\$ 16,570

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Year ended March 31, 2018

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2017 - \$nil), which includes amounts payable for HST and payroll related taxes.

5. 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 \$1,697,725 (2017 - \$1,439,178). The expenses include amounts for staff performing functions on behalf of the Foundation.

The amount due to the Hospital of \$8,428,693 (2017 - \$1,911,270) represents grants for approved capital and patient experience program funding made by the Hospital of \$8,242,179 (2017 - \$1,780,632), and \$186,514 (2017 - \$130,638) in net operating expenses, not yet reimbursed by the Foundation.

6. Investment income:

	2018	2017
Interest	\$ 10,987	\$ 207,305
Dividends	-	227,656
Pooled fund income	1,996,844	1,237,715
Gain on sale of stock donations	694	4,528
Change in fair value of investments	461,793	623,601
Total investment income	\$ 2,470,318	\$ 2,300,805

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

Year ended March 31, 2018

7. 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 2018	Unrestricted 2018
Annual giving:		
Salaries and benefits	\$ 256,710	\$ 93,712
Special event and marketing expenses	358,653	125,749
	<u>\$ 615,363</u>	<u>\$ 219,461</u>
Leadership and planned giving:		
Salaries and benefits	\$ 131,268	\$ 30,879
Direct fundraising and marketing expenses	1,137	12,170
	<u>\$ 132,405</u>	<u>\$ 43,049</u>
Smart Hospital Campaign:		
Salaries and benefits	\$ 575,221	\$ -
Direct fundraising and marketing expenses	411,862	-
	<u>\$ 987,083</u>	<u>\$ -</u>

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Year ended March 31, 2018

7. Allocation of direct fundraising expenses (continued):

	Restricted 2017	Unrestricted 2017
Annual giving:		
Salaries and benefits	\$ 332,825	\$ 85,591
Special event and marketing expenses	682,939	84,681
	<u>\$ 1,015,764</u>	<u>\$ 170,272</u>
Leadership and planned giving:		
Salaries and benefits	\$ 360,491	\$ 138,336
Direct fundraising and marketing expenses	25,124	4,137
	<u>\$ 385,615</u>	<u>\$ 142,473</u>
Smart Hospital Campaign:		
Direct fundraising and marketing expenses	\$ 238,550	\$ -

8. Contributions to HOOPP:

On January 1, 2018, the Foundation became a participating employer in HOOPP. As HOOPP's assets and liabilities are not segmented by participating employer, the Foundation accounts for its HOOPP obligation on a cash basis (as a defined contribution plan). The most recent actuarial valuation of the plan at December 31, 2017 indicated that the plan is fully funded.

Employer contributions to HOOPP made directly by the Foundation are \$10,095 for 2018 (2017 - \$nil).

9. Commitments:

The Foundation has committed to a consulting services contract for \$336,000 in fiscal 2019 related to the Smart Hospital Campaign.

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Year ended March 31, 2018

10. 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 foreign currency risk on its foreign currency 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.

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.