

Financial Statements of

**GRAND RIVER HOSPITAL
FOUNDATION**

And Independent Auditors' Report thereon

Year ended March 31, 2019

GRAND RIVER HOSPITAL FOUNDATION

Financial Statements

Year ended March 31, 2019

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Grand River Hospital Foundation

Opinion

We have audited the financial statements of Grand River Hospital Foundation (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.



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

Responsibilities of Management and Those Charged With Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



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We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in blue ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
June 26, 2019

GRAND RIVER HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2019, with comparative information for March 31, 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 879,749	\$ 521,516
Accounts receivable	47,809	99,447
Prepays	45,348	55,013
	<u>972,906</u>	<u>675,976</u>
Investments (note 3)	20,424,766	29,134,781
Capital assets (note 4)	17,532	22,499
	<u>\$ 21,415,204</u>	<u>\$ 29,833,256</u>
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 157,542	\$ 59,053
Deferred revenue	121,500	49,720
Due to Grand River Hospital Corporation (note 6)	4,303,134	8,428,693
	<u>4,582,176</u>	<u>8,537,466</u>
Fund balances:		
Endowment	3,153,730	2,907,718
Restricted	6,778,621	3,679,952
Operating fund:		
Internally restricted (note 7)	2,800,000	-
Unrestricted	4,100,677	14,708,120
	<u>6,900,677</u>	<u>14,708,120</u>
	<u>16,833,028</u>	<u>21,295,790</u>
Commitment (note 11)		
Subsequent event (note 2)		
	<u>\$ 21,415,204</u>	<u>\$ 29,833,256</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, 2019, with comparative information for 2018

	Endowment	Restricted	Operating	2019	2018
Revenue:					
Donations from annual, leadership and planned giving	\$ 51,825	\$ 2,634,407	\$ 1,903,887	\$ 4,590,119	\$ 4,928,219
Donations from Smart Hospital Campaign	-	599,178	-	599,178	68,849
Donations from Grand River Hospital Volunteer Association	-	2,605	200,000	202,605	202,070
Donations-in-kind	-	8,626	-	8,626	8,833
Investment income (loss) (note 8)	215,843	(992)	1,097,873	1,312,724	2,470,318
	267,668	3,243,824	3,201,760	6,713,252	7,678,289
Expenses:					
Direct fund raising (note 9):					
Annual giving	-	377,618	544,984	922,602	834,824
Leadership and planned giving	-	184,178	79,531	263,709	175,454
Smart Hospital Campaign	-	423,308	612,014	1,035,322	987,083
Operating expenses:					
Salaries	-	-	741,574	741,574	542,488
Contract wages	-	-	147,221	147,221	-
Office and administrative	14,927	4,937	423,140	443,004	348,993
Amortization	-	-	4,967	4,967	5,284
	14,927	990,041	2,553,431	3,558,399	2,894,126
Grants:					
Cash grants to Grand River Hospital Corporation	6,729	2,070,716	5,525,645	7,603,090	14,992,510
Cash grants to Carizon Family and Community Services	-	5,899	-	5,899	-
In-kind grants to Grand River Hospital Corporation	-	8,626	-	8,626	8,833
	6,729	2,085,241	5,525,645	7,617,615	15,001,343
Excess (deficiency) of revenue over expenses and grants	246,012	168,542	(4,877,316)	(4,462,762)	(10,217,180)
Fund balances, beginning of year	2,907,718	3,679,952	14,708,120	21,295,790	31,512,970
Interfund transfers (note 10)	-	2,930,127	(2,930,127)	-	-
Fund balances, end of year	\$ 3,153,730	\$ 6,778,621	\$ 6,900,677	\$ 16,833,028	\$ 21,295,790

GRAND RIVER HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2019, with comparative information 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses and grants	\$ (4,462,762)	\$ (10,217,180)
Items not involving cash:		
Amortization of capital assets	4,967	5,284
Change in fair value of investments (note 8)	96,275	(461,793)
Change in non-cash operating working capital	(3,893,987)	6,452,180
	<u>(8,255,507)</u>	<u>(4,221,509)</u>
Investing:		
Purchase of capital assets	-	(11,213)
Purchase of investments	(1,386,260)	(2,064,137)
Proceeds of sale of investments	10,000,000	6,167,292
	<u>8,613,740</u>	<u>4,091,942</u>
Increase (decrease) in cash and cash equivalents	358,233	(129,567)
Cash and cash equivalents, beginning of year	521,516	651,083
Cash and cash equivalents, end of year	<u>\$ 879,749</u>	<u>\$ 521,516</u>

See accompanying notes to financial statements.

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

Grand River Hospital Foundation's (the "Foundation") predominate declared purpose is to raise funds to finance the purchase of capital assets, patient experience, minor renovations, equipment purchases related to special projects, education, training and health research and innovation, 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) Operating funds include all other expendable funds and investments. A portion of operating expenses are charged to the operating 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.
- (iv) Internally restricted funds are determined and approved by the Board of Governors in accordance with the Foundation's reserve policy.

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Year ended March 31, 2019

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 operating 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, 2019

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, 2019

1. Significant accounting policies (continued):

(i) Life insurance policies:

For life insurance policies amounts are recorded as an asset and revenue of the Operating 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. Revenue from the proceeds of life insurance policies is recognized when the insured event has occurred and collection is certain.

(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. Cash

The Foundation has an operating line available to a maximum of \$60,000 at bank prime plus 1% and is unsecured. No amount was drawn at year end (2018 - \$nil).

Subsequent to year end, on June 12, 2019, the Foundation secured additional operating line \$150,000 at bank prime plus 1% and is unsecured.

3. Investments:

	2019	2018
Balanced pooled fund (market value)	\$ 20,424,766	\$ 29,134,781

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Year ended March 31, 2019

4. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Office equipment	\$ 104,037	\$ 88,642	\$ 15,395	\$ 19,244
Computer hardware	161,872	161,620	252	458
Computer software	105,605	104,829	776	1,410
Website	23,743	22,634	1,109	1,387
	\$ 395,257	\$ 377,725	\$ 17,532	\$ 22,499

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2018 - \$nil), which includes amounts payable for HST and payroll related taxes.

6. 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 \$1,982,694 (2018 - \$1,697,725). The expenses include amounts for Hospital staff performing functions on behalf of the Foundation.

The amount due to the Hospital of \$4,303,134 (2018 - \$8,428,693) represents grants for approved capital and patient experience program funding made by the Hospital of \$4,170,300 (2018 - \$8,242,179), and \$132,834 (2018 - \$186,514) in net operating expenses, not yet reimbursed by the Foundation.

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Year ended March 31, 2019

7. Internally restricted fund:

	2019	2018
Internally restricted for operations	\$ 2,800,000	\$ -

The use of the internally restricted fund requires approval by the Board of Governors.

8. Investment income:

	2019	2018
Interest	\$ 23,536	\$ 10,987
Pooled fund income	1,386,259	1,996,844
Gain (loss) on sale of stock donations	(796)	694
Change in fair value of investments	(96,275)	461,793
Total investment income	\$ 1,312,724	\$ 2,470,318

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, 2019

9. 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 operating 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 2019	Operating 2019
Annual giving:		
Salaries and benefits	\$ 194,118	\$ 217,537
Special event and marketing expenses	183,500	327,447
	<u>\$ 377,618</u>	<u>\$ 544,984</u>
Leadership and planned giving:		
Salaries and benefits	\$ 173,369	\$ 22,231
Direct fundraising and marketing expenses	10,809	57,300
	<u>\$ 184,178</u>	<u>\$ 79,531</u>
Smart Hospital Campaign:		
Salaries and benefits	\$ 127,939	\$ 609,365
Direct fundraising and marketing expenses	295,369	2,649
	<u>\$ 423,308</u>	<u>\$ 612,014</u>

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Year ended March 31, 2019

9. Allocation of direct fundraising expenses (continued):

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

10. Interfund transfers:

The Board of Governors approved a transfer of \$2,930,127 from the Operating Fund to the Restricted Fund to ensure the fund.

11. Commitment:

The Board of Governors has approved a commitment of \$2,800,000 from restricted funds pursuant to donor stipulations to assist the Hospital with its capital and service commitments in fiscal 2020.

GRAND RIVER HOSPITAL FOUNDATION

Notes to Financial Statements, continued

Year ended March 31, 2019

12. 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, 2018 indicated that the plan is fully funded.

Employer contributions to HOOPP made directly and or on behalf of the Foundation are \$122,446 for 2019 (2018 - \$10,095).

13. 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.