
Financial statements of
Royal Victoria Regional Health
Centre Foundation

December 31, 2018

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Independent Auditor's Report

To the Members of
Royal Victoria Regional Health Centre Foundation

Opinion

We have audited the financial statements of the Foundation, which comprise the statement of financial position as at December 31, 2018, and the statements of operations and changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018 and the results of its operations, changes in net assets, 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 ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation 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. 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 the 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause Foundation 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.

We 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.



Chartered Professional Accountants
Licensed Public Accountants
April 18, 2019

Royal Victoria Regional Health Centre Foundation
Statement of financial position
As at December 31, 2018

	Notes	2018 \$	2017 \$
Assets			
Current assets			
Cash	3	3,510,152	2,468,898
Accounts receivable		299,367	79,191
Accrued investment income		13,584	10,886
Prepaid expenses		28,745	22,484
		3,851,848	2,581,459
Investments	4	40,643,489	39,998,276
Capital assets	5	24,927	37,390
		44,520,264	42,617,125
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		64,464	64,023
Due to The Royal Victoria Regional Health Centre ("RVH")	9	74,463	68,651
		138,927	132,674
Fund balances			
General Fund			
Unrestricted		791,156	765,422
Capital Campaign Fund		21,123,084	17,892,269
Specific Donations Fund		14,357,801	15,308,223
Endowment Fund	10	8,109,296	8,518,537
		44,381,337	42,484,451
		44,520,264	42,617,125

The accompanying notes are an integral part of the financial statements.

Approved by the Board

 Director JOHN BYLES

 Director ERIC DEAW

Royal Victoria Regional Health Centre Foundation
Statements of operations and changes in fund balances
Year ended December 31, 2018

	General Fund		Capital Campaign Fund		Specific Donations Fund		Endowment Fund		Total
	2018	2017	2018	2017	2018	2017	2018	2017	2017
Revenue									
Donations	132,027	50,269	2,584,381	4,200,299	662,424	657,212	5,820	5,650	4,913,430
Bequests	17,977	12,977	556,119	630,376	—	17,497	—	—	660,850
Community events	12,064	10,382	1,082,119	879,371	69,495	65,655	—	—	955,408
Investment income, net of fees	498,710	545,424	—	—	—	—	(159,496)	359,556	904,980
	660,778	619,052	4,222,619	5,710,046	731,919	740,364	(153,676)	365,206	7,434,668
Expenses									
Fundraising and administrative	600,680	440,973	—	—	—	—	—	—	440,973
Salaries and benefits	1,056,192	967,235	—	—	—	—	—	—	967,235
	1,656,872	1,408,208	—	—	—	—	—	—	1,408,208
Cost allocation	(996,094)	(789,156)	4,222,619	5,710,046	731,919	740,364	(153,676)	365,206	6,026,460
Distribution to RVH	(1,010,183)	(1,051,041)	851,976	911,208	73,022	56,706	85,185	83,127	—
Excess of revenue over expenses	52,560	5,000	139,828	1,146,515	1,609,319	548,331	106,175	225,000	1,924,846
Fund balances, beginning of year	(38,471)	256,885	3,230,815	3,652,323	(950,422)	135,327	(345,036)	57,079	4,101,614
Interfund transfers	765,422	657,250	17,892,269	14,239,946	15,308,223	15,172,896	8,518,537	8,312,745	38,382,837
Fund balances, end of year	64,205	(148,713)	—	—	—	—	(64,205)	148,713	—
	791,156	765,422	21,123,084	17,892,269	14,357,801	15,308,223	8,109,296	8,518,537	44,381,337
									42,484,451

The accompanying notes are an integral part of the financial statements.

Royal Victoria Regional Health Centre Foundation
Statement of cash flows
Year ended December 31, 2018

	2018	2017
	\$	\$
Operating activities		
Excess of revenue over expenses	1,896,886	4,101,614
Adjustment for non-cash item		
Amortization of capital assets	12,463	14,577
	1,909,349	4,116,191
Changes in non-cash working capital items		
Accounts receivable	(220,176)	(33,392)
Accrued investment income	(2,698)	(3,659)
Prepaid expenses	(6,261)	(6,394)
Accounts payable and accrued liabilities	441	(21,960)
Due to The Royal Victoria Regional Health Centre	5,812	(17,204)
	1,686,467	4,033,582
Investing activity		
Change in investments (net)	(645,213)	(5,170,083)
Net cash inflow (outflow)	1,041,254	(1,136,501)
Cash position, beginning of year	2,468,898	3,605,399
Cash position, end of year	3,510,152	2,468,898

The accompanying notes are an integral part of the financial statements.

1. Nature of organization

Royal Victoria Regional Health Centre Foundation, formerly "The Royal Victoria Hospital of Barrie Foundation", (the "Foundation") is incorporated without share capital under the Corporations Act (Ontario) as a charitable organization and is a registered charity under the Income Tax Act (Canada).

The Foundation is principally involved in raising funds for the benefit of The Royal Victoria Regional Health Centre (the "Health Centre"). The fund balances and operations of the Foundation are ultimately for the benefit of the Health Centre. These financial statements have not been consolidated with those of the Health Centre.

2. Summary of significant accounting policies

Basis of accounting

These financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Foundation's program delivery and administrative activities. This fund reports unrestricted contributions and other unrestricted revenues and expenses.

The Capital Campaign Fund reports resources designated for current priorities within a public capital campaign. The fund supports priorities promoted in the Hearts and Minds Campaign including Cardiac Care, Cancer Services, Child and Youth Mental Health, Research/Teaching and Capital Equipment. The fund also supports priorities promoted in a new campaign including NeoNatal Intensive Care and Obstetrics.

The Specific Donations Fund reports restricted resources that are to be used for purposes as specified by the respective donors or as allocated by resolution of the Foundation Finance and Audit Committee.

The Endowment Fund includes those funds where either donor or internal restrictions require that the principal be maintained by the Foundation on a permanent basis.

Pledges

Pledges, which represent promises to donate cash, are not recorded as revenue until collected.

Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Investment income earned on externally restricted Endowment Fund resources are recognized as revenue in each of these Funds. Investment income earned on Specific, Capital Campaigns Fund resources is recorded as revenue of the General Fund unless restricted by the donor in which case it is recorded as revenue of their respective funds. Investment Income earned on internally restricted resources of the Endowment Fund is recognized as revenue of the General Fund. All other investment income is recognized as revenue of the General Fund when earned.

In-kind contributions

Contributions of assets are recognized in the period they are donated at their fair market value. Contributed services are not recognized in the financial statements due to the inherent difficulty in valuing the time of volunteers.

Cost allocations

In 2014 the Board approved a cost allocation policy whereby a portion of general administrative costs incurred by the Foundation be allocated to the Capital Campaign Fund, Specific Donations Fund and the Endowment Fund to appropriately reflect the cost of administering these funds. In 2018, costs are allocated to the Capital Campaign Fund and the Specific Donations Fund using a rate of 22% (17% in 2017) of bequests received during the year and 22% (17% in 2017) of other restricted donations reported in these Funds. Costs are allocated to the Endowment Fund at a rate 1% of the value of the Endowment Fund as of January 1 of the current year.

Financial instruments

The Foundation initially recognizes financial instruments at fair value and subsequently measures them at each reporting date, as follows:

Asset/liability	Measurement
Cash and investments	Fair value
Accrued investment income	Fair value
Accounts receivable	Amortized cost
Accrued liabilities	Amortized cost
Due to The Royal Victoria Regional Health Centre	Amortized cost

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists the asset shall be written down and the resulting impairment loss shall be recognized in the statement of operations for the period.

Transaction costs in respect of financial assets recorded at fair value are expensed as incurred.

Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight-line basis over 5 years.

Assets with an original cost of less than \$3,000 are charged to the statement of operations in the year of acquisition.

2. Summary of significant accounting policies (continued)

Foreign currency translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, cash in foreign currency is translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in the statement of operations in the current period. Investments denominated in foreign currency are recorded at the foreign exchange rate in effect at the time the investment was purchased.

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 amounts reported in the financial statements and accompanying notes. The principal estimates used in the preparation of these financial statements are the fair value of financial instruments and the allocation to the various fund balances of unrealized gains and losses related to the change in the fair value of investments. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized below.

3. Cash

The Foundation's bank accounts are held at a chartered bank. The bank accounts earn interest at a variable rate at prime less 1.75% on the daily closing balances up to \$10,000,000.

4. Investments

Investments in securities with an active market have been recorded at market value based on quoted bid prices as at December 31, 2018. Investments, as at December 31, consist of the following:

	2018	2017
	\$	\$
Equities	4,990,704	5,170,598
Fixed income investments	26,137,536	24,120,605
Cash and cash equivalents	9,515,249	10,707,073
Total	40,643,489	39,998,276

Investments as at December 31, 2018 include unrealized gains of \$320,188 (\$957,022 in 2017).

Equities and fixed income investments are comprised of pooled and segregated securities managed by RBC Dominion Securities Inc. Cash and cash equivalents include amounts held in a treasury bank account with RBC Dominion Securities Inc. The Investment portfolio is managed in accordance with the Foundation's investment policy.

Royal Victoria Regional Health Centre Foundation

Notes to the financial statements

December 31, 2018

5. Capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
	\$	\$	\$	\$
Computer software and website	88,656	63,729	24,927	37,390

6. Planned giving

The Foundation is the designated beneficiary of seven life insurance policies with a principal sum assured of \$751,000. No amount has been recorded in these financial statements with respect to these insurance policies.

7. Pension plan

All full time employees of the Foundation are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Hospitals of Ontario Pension Plan by placing plan assets in trust and through the Plan Investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the percentage of salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions. Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members.

Royal Victoria Regional Health Centre Foundation
Notes to the financial statements
 December 31, 2018

8. Investment income

	General Fund		Endowment Fund		Total
	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$
Investment income earned on					
Capital campaign resources	246,425		—	375,077	246,425
Specific donations fund resources	219,858		—	262,733	219,858
Endowment fund resources	171,820	(106,290)	413,409	(149,070)	585,229
General resources	9,524		—	13,137	9,524
	608,167	(106,290)	413,409	501,877	1,061,036
Less: investment management and custodial fees	(102,203)	(53,206)	(53,853)	(162,663)	(156,056)
Net investment income	498,710	(159,496)	359,556	339,214	904,980

Royal Victoria Regional Health Centre Foundation**Notes to the financial statements**December 31, 2018

8. Investment income (continued)

Investment income, for the year ended December 31, consist of the following:

	2018	2017
	\$	\$
Realized/unrealized gains	(436,231)	227,963
Interest and other	714,880	611,737
Dividends	223,228	221,336
	501,877	1,061,036
Less: investment management and custodial fees	(162,663)	(156,056)
Net investment income	339,214	904,980

9. Related party transactions*Transactions*

The following table summarizes the Foundation's related party transactions for the year:

	2018	2017
	\$	\$
Distributions to The Royal Victoria Regional Health Centre	1,907,882	1,924,846

These transactions are in the normal course of operations and are measured at the exchange amount at the date of distribution.

At the end of the year, the amounts due to related parties are as follows:

	2018	2017
	\$	\$
The Royal Victoria Regional Health Centre	74,463	68,651

These balances are interest free and payable on demand.

The balance due to the Health Centre is the result of various expenses of the Foundation being paid on its behalf by the Health Centre.

In addition, the Health Centre provides the Foundation with the use of furnished office space and other resources at no cost to the Foundation.

Royal Victoria Regional Health Centre Foundation

Notes to the financial statements

December 31, 2018

10. Endowment Fund

The Endowment Fund consists of externally restricted contributions received by the Foundation where the endowment principal is required to be maintained intact. The Endowment Fund also includes internal resources transferred by the Board of Directors to the Endowment Fund, with the intention that the principal be maintained intact. The investment income generated from the assets held for endowment purposes must be used in accordance with the various purposes established by the donors for external endowments or the Board for internal endowments.

Major categories or restrictions in fund balances are as follows:

	2018	2017
	\$	\$
Externally imposed endowments		
Endowments, the income from which must be used for education purposes	2,137,952	2,265,744
Endowments, the income from which must be used for other restricted purposes	<u>3,669,301</u>	<u>3,807,317</u>
	<u>5,807,253</u>	<u>6,073,061</u>
Internally imposed endowments		
Funds restricted for education	<u>2,302,043</u>	<u>2,445,476</u>
	<u>8,109,296</u>	<u>8,518,537</u>

11. In-kind contributions

Contributions of assets to the Foundation during the year amounted to \$58,238 (\$12,478 in 2017) which are included in donations revenue in the statement of operations and changes in fund balances.

12. Risks arising from financial instruments

(i) *Credit risk*

The Foundation has cash in a major financial institution in excess of the amount insured by agencies of the federal government.

(ii) *Interest rate risk*

The Foundation manages its investments based on its cash flow needs and with a view to optimizing its interest income.

The Foundation is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and current liabilities.

(iii) *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Foundation has investments in US equities, the value of which fluctuates in part as a result of changes in foreign exchange rates.

12. Risks arising from financial instruments (continued)

(iv) Market risk

The Foundation is exposed to equity securities' price risk because of the investments held by the Foundation and recorded at fair value. To manage market risk arising from its investments in common shares, the Foundation sets guidelines in the Investment Policies.

