



Consolidated Financial Statements

Valley Regional Hospital Foundation

March 31, 2017

# Contents

	<b>Page</b>
Independent Auditors' Report	1-2
Consolidated Statement of Operations	3
Consolidated Statement of Changes in Net Assets	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7-11



Grant Thornton

# Independent Auditor's Report

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To the Board of Directors of

Valley Regional Hospital Foundation

We have audited the accompanying consolidated financial statements of the Valley Regional Hospital Foundation, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated 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 consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 non-profit organizations, the Valley Regional Hospital Foundation derives revenue from fundraising and donations from the public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donation, fundraising revenues, excess of revenue over expenses, surplus and cash flows from operations.

**Qualified opinion**

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Valley Regional Hospital Foundation as at March 31, 2017 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.



Kentville, Canada

June 20, 2017

Chartered Professional Accountants  
Licensed Public Accountants

**Valley Regional Hospital Foundation**  
**Consolidated Statement of Operations**  
Year Ended March 31

	Unrestricted Funds	Restricted Fund Joint Capital Campaign (Our Community Our Health Funds) Restricted Fund	Restricted Fund Hospital Improvements and Capital Additions	Total Restricted Funds	2017	2016
<b>Revenue</b>						
Donations and fundraising	\$ 467,901	\$ 135,352	\$ 525,635	\$ 660,987	\$ 1,128,888	\$ 917,249
Investment income (Note 4)	178,083		4,847	4,847	182,930	211,479
Gifts in kind	4,230		400	400	4,630	3,219
Unrealized (loss) gain on investments	216,270		9,533	9,533	225,803	(130,196)
<b>Total Revenue</b>	<b>866,484</b>	<b>135,352</b>	<b>540,415</b>	<b>675,767</b>	<b>1,542,251</b>	<b>1,001,751</b>
<b>Expenditures</b>						
<b>General &amp; Administrative</b>						
Bank charges	3,413	172		172	3,585	3,459
Direct response costs	-		19,596	19,596	19,596	40,014
Dues and fees	4,045			-	4,045	3,875
Fundraising	9,495		13,737	13,737	23,232	27,746
Insurance	3,314			-	3,314	3,055
Investment fees	25,321		660	660	25,981	25,547
Memberships	974			-	974	1,122
Office and miscellaneous	7,525			-	7,525	3,957
Office equipment lease	6,754			-	6,754	6,366
Printing	3,398			-	3,398	187
Professional fees	16,736	1,161		1,161	17,897	15,953
Promotion/donor recognition	21,275			-	21,275	6,176
Special events	27,855		25,795	25,795	53,650	47,396
Salaries and benefits	186,565			-	186,565	181,464
Telephone and internet	230			-	230	244
Travel	3,001		105	105	3,106	869
<b>Total General &amp; Administrative</b>	<b>319,901</b>	<b>1,333</b>	<b>59,893</b>	<b>61,226</b>	<b>381,127</b>	<b>367,430</b>
<b>Contributions</b>						
Chaplaincy program			49,992	49,992	49,992	49,992
Equipment purchases	81,554	-	339,302	339,302	420,856	484,276
Hospital redevelopment costs (Note 6)		-		-	-	252,490
<b>Total Contributions</b>	<b>81,554</b>	<b>-</b>	<b>389,294</b>	<b>389,294</b>	<b>470,848</b>	<b>786,758</b>
<b>Total Expenditures</b>	<b>401,455</b>	<b>1,333</b>	<b>449,187</b>	<b>450,520</b>	<b>851,975</b>	<b>1,154,188</b>
<b>(Deficiency) excess revenue over expenditures</b>	<b>\$ 465,029</b>	<b>\$ 134,019</b>	<b>\$ 91,228</b>	<b>\$ 225,247</b>	<b>\$ 690,276</b>	<b>\$ (152,437)</b>

See accompanying notes to the consolidated financial statements.

**Valley Regional Hospital Foundation**  
**Consolidated Statement of Changes in Net Assets**  
Year Ended March 31

	Unrestricted Funds	Restricted Fund Hospital Improvements and Capital Additions	Restricted Fund Joint Capital Campaign (Our Community Our Health Funds)	Internally Restricted Chaplaincy Endowment Fund	Externally Restricted Endowment Fund	Total Restricted Funds	2017	2016
Balance, beginning of year	\$ 3,105,763	\$ 413,780	\$ 175,546	\$ 952,891	\$ 105,012	\$ 1,647,229	<b>\$ 4,752,992</b>	\$ 4,905,429
Interfund transfers / Adjustments	35,100	(31,090)				(31,090)	<b>4,010</b>	
Excess of revenue over expenditures (expenditures over revenue)	<u>465,029</u>	<u>91,228</u>	<u>134,019</u>			<u>225,247</u>	<b><u>690,276</u></b>	<u>(152,437)</u>
Balance, end of year	<u>\$ 3,605,892</u>	<u>\$ 473,918</u>	<u>\$ 309,565</u>	<u>\$ 952,891</u>	<u>\$ 105,012</u>	<u>\$ 1,841,386</u>	<b><u>\$ 5,447,278</u></b>	<u>\$ 4,752,992</u>

See accompanying notes to the consolidated financial statements.

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# Valley Regional Hospital Foundation

## Consolidated Statement of Financial Position

March 31

2017

2016

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### Assets

#### Current

Cash and cash equivalents	\$ 341,114	\$ 324,591
Marketable securities at fair market value (Note 3)	5,369,319	4,507,654
Receivables	12,059	9,800
Harmonized sales tax receivable	8,392	8,148
Prepays	<u>7,148</u>	<u>1,900</u>
	<b>\$ 5,738,032</b>	<b>\$ 4,852,093</b>

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### Liabilities

#### Current

Payables and accruals	\$ 274,726	\$ 91,877
Deferred revenue	<u>16,028</u>	<u>7,224</u>
	<u>290,754</u>	<u>99,101</u>

### Surplus

Restricted fund - Joint Capital Campaign (Our Community Our Health)	309,565	175,546
Restricted fund	473,918	413,780
Internally restricted endowment fund	952,891	952,891
Externally restricted endowment fund	105,012	105,012
Unrestricted fund	<u>3,605,892</u>	<u>3,105,763</u>
	<u>5,447,278</u>	<u>4,752,992</u>
	<b>\$ 5,738,032</b>	<b>\$ 4,852,093</b>

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Commitment (Note 5)

Approved on behalf of the Board

\_\_\_\_\_ Director \_\_\_\_\_ Director

See accompanying notes to the consolidated financial statements.

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## Valley Regional Hospital Foundation

### Consolidated Statement of Cash Flows

Year Ended March 31

2017

2016

#### Operating

Consolidated excess of expenditures over revenue	\$ 690,276	\$ (152,437)
Unrealized (gain) loss on investments	(225,803)	130,196
Interfund transfer/adjustments	<u>4,010</u>	<u>          </u>
	<b>468,483</b>	(22,421)

#### Change in non-cash operating working capital

Receivables	(2,259)	(5,015)
Harmonized sales tax receivable	(244)	2,415
Prepays	(5,248)	4,965
Payables and accruals	182,849	33,297
Deferred revenue	<u>8,804</u>	<u>3,224</u>
	<u><b>652,385</b></u>	<u>16,645</u>

#### Investing

Net change in investments	<u>(635,862)</u>	<u>23,056</u>
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Increase in cash and cash equivalents	16,523	39,701
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#### Cash and cash equivalents

Beginning of year	<u>324,591</u>	<u>284,890</u>
End of year	<u>\$ 341,114</u>	<u>\$ 324,591</u>

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See accompanying notes to the consolidated financial statements.



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# Valley Regional Hospital Foundation

## Notes to the Consolidated Financial Statements

March 31, 2017

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### 1. Nature of organization

The Foundation was formed on November 13, 1985, for the purpose of raising funds for the construction of a new regional hospital, including the purchase of related equipment, for the Annapolis Valley Region of Nova Scotia. On March 30, 1994, the Board of Directors of Valley Regional Hospital Foundation approved three resolutions to change the name, objects and bylaws of the Foundation. As a result of these changes, the Foundation will also raise funds for the purpose of improving and promoting health and health care within the Annapolis Valley and such other geographical areas within the Province of Nova Scotia. The Foundation is classified as a Public Foundation and qualifies for tax exempt status as a registered charity under the *Income Tax Act*. At a special general meeting of the Board of Directors held on June 15, 1999, the name of the Foundation was changed from Annapolis Valley Health Foundation to Valley Regional Hospital Foundation.

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### 2. Summary of significant accounting policies

#### Basis of presentation and consolidation

These consolidated financial statements have been prepared in accordance with Part III of the CPA Canada Handbook - Canadian accounting standards for not-for-profit organizations.

The Foundation's investment in its joint venture (Joint Capital Campaign – Our Community Our Health) is accounted for using the proportionate consolidation method. These consolidated financial statements include the Foundation's 50% share of the revenue and expenses of the joint venture and the Foundation's share of the jointly controlled assets and its share of any liabilities incurred.

The Foundation entered into a joint venture agreement with the Valley Hospice Foundation whereby the two foundations have agreed to work together to raise \$8 million in order to fund a redevelopment project. The agreement states that undesignated donations received will be shared equally and restricted donations will be allocated to the Foundation for which they were designated. The joint expenses will be shared between the Foundations equally. The joint venture has been accounted for using proportionate consolidation.

#### Fund accounting

Assets, liabilities, revenues and expenses related to program delivery and administrative activities are reported in the Unrestricted Fund.

Assets, liabilities, externally restricted contributions and expenses related to donations for specific hospital improvements and equipment purchases are reported in the Hospital Improvements and Capital Additions Restricted Fund.

Assets, liabilities, externally restricted contributions and expenses related to the joint venture are reported in the Joint Capital Campaign Fund. Contributions to the redevelopment project are reported as expenditures in the Joint Capital Campaign Fund.

Endowment assets and endowment contributions are reported in the Endowment Fund.

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# Valley Regional Hospital Foundation

## Notes to the Consolidated Financial Statements

March 31, 2017

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### 2. Summary of significant accounting policies (continued)

#### **Use of estimates**

In preparing the Foundation's consolidated 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 and reported amounts of revenue and expenses. Actual amounts could differ from these estimates.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances with banks and other institutions and term deposits with maturities of three months or less.

#### **Revenue recognition - Contributions**

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

##### *Unrestricted contributions*

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges of future donations are not reflected in these consolidated financial statements until they are received.

##### *Restricted donations*

Restricted donations received for use in the Joint Capital Campaign for hospital redevelopment, are recognized as revenue in that Restricted Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted donations received for use in specific hospital improvements including equipment purchases for specific hospital departments are recognized as revenue in the Hospital Improvements and Capital Additions Restricted Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as revenue in the Endowment Fund when the amounts can be reasonably estimated and collection is reasonably assured.

Restricted contributions for which there is no related restricted fund as noted above are recorded in the Unrestricted Fund using the deferral method. Such restricted contributions are recognized as revenue of the Unrestricted Fund in the year in which the related expenses are incurred.

Bequests are recognized when received.

#### **Revenue recognition - Gifts in kind**

Contributions of materials and services are recognized at fair value when it can be reasonably estimated and when the materials and services are used in the normal course of the Foundation's operations and would otherwise have been purchased. During the year, \$4,630 in contributed equipment was recorded in revenue and in expenses under equipment and other donations.

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# Valley Regional Hospital Foundation

## Notes to the Consolidated Financial Statements

March 31, 2017

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### 2. Summary of significant accounting policies (continued)

#### Revenue recognition - Gifts in kind (continued)

Office space used in the conduct of the daily operating activities of the Foundation is provided by the Valley Regional Hospital, which operates under the Nova Scotia Health Authority. There is no rent charged to the Foundation and the fair value relating to the provision of this space is not determinable.

#### Revenue recognition - Investment income

Net investment income that is not externally restricted is recognized as it is earned in the Unrestricted Fund.

Net investment income that is externally restricted is recorded as revenue in the Restricted Fund.

Net investment income that is externally restricted for which there is no related restricted fund is recorded in the Unrestricted Fund using the deferral method, which recognizes the revenue when the related expenses are incurred.

Net investment income that is externally restricted and must be added to the resources held for endowment are recognized as revenue in the Endowment Fund. If there is no external restriction on net investment income earned in the endowment funds, it is recognized as revenue in the Unrestricted Fund.

#### Financial instruments

##### *Initial measurement*

The Foundation's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

##### *Subsequent measurement*

At each reporting date, the Foundation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value.

All changes in fair value of the Foundation's investments in equities quoted in an active market and in bonds are recorded in the statement of operations. The Foundation uses the effective interest rate method to amortize for any premiums, discounts, transaction fees and financing fees to the statement of operations for those financial instruments measured at amortized cost. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, payables and payable to Nova Scotia Health Authority.

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# Valley Regional Hospital Foundation

## Notes to the Consolidated Financial Statements

March 31, 2017

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### 2. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

For financial assets measured at cost or amortized cost, the Foundation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Foundation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

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<b>3. Marketable securities at fair market value</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Unrestricted Fund</b>		
Equities quoted in an active market	\$ 2,736,888	\$ 2,597,063
Guaranteed investment certificates and cash equivalents	2,508,574	1,792,736
<b>Endowment Fund</b>		
Equities quoted in an active market	125,380	116,616
Guaranteed investment certificates and cash equivalents	<u>(1,523)</u>	<u>1,239</u>
	<b>\$ <u>5,369,319</u></b>	<b>\$ <u>4,507,654</u></b>

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# Valley Regional Hospital Foundation

## Notes to the Consolidated Financial Statements

March 31, 2017

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4. Investment income	<u>2017</u>	<u>2016</u>
<b>Unrestricted Fund</b>		
Dividend income	\$ 120,582	\$ 71,947
Gain on sale of investments	34,013	64,920
Interest income	<u>23,488</u>	<u>25,061</u>
	178,083	161,928
<b>Externally Restricted Endowment Fund</b>		
Income recognized in restricted fund	4,847	5,535
<b>Joint Capital Campaign (Our Community Our Health)</b>		
Investment Income	<u>NIL</u>	<u>44,016</u>
Total investment income	\$ <u>182,930</u>	\$ <u>211,479</u>

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### 5. Commitment

The Foundation has authorized the purchase of miscellaneous equipment at a total cost of \$524,246. The disbursements are to be made on delivery of equipment, expected to occur during the 2017/18 fiscal year.

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### 6. Hospital redevelopment costs

This expense represents a contribution by the Foundation to the Nova Scotia Health Authority for redevelopment projects at the Valley Regional Hospital.

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### 7. Financial instruments

The Foundation is exposed to risk related to its financial instruments as follows:

#### *Credit risk*

The Foundation has determined that the financial assets with credit risk exposure are accounts receivable since failure of any of these parties to fulfil their obligations could result in a financial loss for the Foundation.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk with respect to its investments in bonds.

#### *Other price risk*

The Foundation is exposed to other price risk on its investment in equities quoted in an active market since changes in market prices could result in changes in the fair values of these instruments.

#### *Liquidity risk*

The Foundation's liquidity risk represents the risk that the Foundation could encounter difficulty in meeting obligations associated with its financial liabilities. The Foundation is therefore exposed to liquidity risk with respect to its payables.