



Consolidated Financial Statements

Valley Regional Hospital Foundation

March 31, 2018

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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, 2018, 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, 2018 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.

The signature of Grant Thornton LLP is written in a cursive, handwritten style in black ink.

Kentville, Canada

June 19, 2018

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 Hospital Improvements and Capital Additions	Total Restricted Funds	2018	2017
Revenue						
Donations and fundraising	\$ 202,103	\$ 49,028	\$ 570,551	\$ 619,579	\$ 821,682	\$ 1,128,888
Investment income (Note 4)	163,421		5,494	5,494	168,915	182,930
Gifts in kind	1,000				1,000	4,630
Unrealized gain on investments	76,267		1,369	1,369	77,636	225,803
Total Revenue	442,791	49,028	577,414	626,442	1,069,233	1,542,251
Expenditures						
General & Administrative						
Bank charges	3,559				3,559	3,585
Board development	25,716				25,716	
Direct response costs			16,189	16,189	16,189	19,596
Dues and fees	4,201				4,201	4,045
Fundraising	7,692		13,337	13,337	21,029	23,232
Insurance	3,300				3,300	3,314
Investment fees	26,582		677	677	27,259	25,981
Memberships	738				738	974
Office and miscellaneous	4,993				4,993	7,525
Office equipment lease	7,574				7,574	6,754
Printing	1,606				1,606	3,398
Professional fees	10,629				10,629	17,897
Promotion/donor recognition	15,741				15,741	21,275
Special events	38,452		18,794	18,794	57,246	53,650
Salaries and benefits	205,973				205,973	186,565
Telephone and internet	230				230	230
Travel	3,316		136	136	3,452	3,106
Total General & Administrative	360,302		49,133	49,133	409,435	381,127
Contributions						
Chaplaincy program			49,992	49,992	49,992	49,992
Equipment purchases	41,995		538,111	538,111	580,106	420,856
Valley Hospice Foundation	305,000	49,028		49,028	354,028	
Total Contributions	346,995	49,028	588,103	637,131	984,126	470,848
Total Expenditures	707,297	49,028	637,236	686,264	1,393,561	851,975
(Deficiency) excess revenue over expenditures	\$ (264,506)	\$	\$ (59,822)	\$ (59,822)	\$ (324,328)	\$ 690,276

Financial Statement of Operations

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	2018	2017
Balance, beginning of year	\$ 3,605,892	\$ 473,918	\$ 309,565	\$ 952,891	\$ 105,012	\$ 1,841,386	\$ 5,447,278	\$ 4,752,992
Interfund transfers	347,464	(41,655)	(309,565)			(351,220)	(3,756)	4,010
(Deficiency) excess of revenue over expenditures	(264,506)	(59,822)	-			(59,822)	(324,328)	690,276
Balance, end of year	<u>\$ 3,688,850</u>	<u>\$ 372,441</u>	<u>\$ -</u>	<u>\$ 952,891</u>	<u>\$ 105,012</u>	<u>\$ 1,430,344</u>	<u>\$ 5,119,194</u>	<u>\$ 5,447,278</u>

See accompanying notes to the consolidated financial statements.

Valley Regional Hospital Foundation
Consolidated Statement of Financial Position

March 31

2018

2017

Assets

Current

Cash and cash equivalents	\$ 19,100	\$ 341,114
Marketable securities at fair market value (Note 3)	5,147,070	5,369,319
Receivables	10,110	12,059
Harmonized sales tax receivable	10,216	8,392
Prepays		<u>7,148</u>
	<u>\$ 5,186,496</u>	<u>\$ 5,738,032</u>

Liabilities

Current

Bank indebtedness	\$ 4,445	\$ -
Payables and accruals	48,857	274,726
Deferred revenue	<u>14,000</u>	<u>16,028</u>
	<u>67,302</u>	<u>290,754</u>

Surplus

Restricted fund - Joint Capital Campaign (Our Community Our Health)	-	309,565
Restricted fund	372,441	473,918
Internally restricted endowment fund	952,891	952,891
Externally restricted endowment fund	105,012	105,012
Unrestricted fund	<u>3,688,850</u>	<u>3,605,892</u>
	<u>5,119,194</u>	<u>5,447,278</u>
	<u>\$ 5,186,496</u>	<u>\$ 5,738,032</u>

Commitment (Note 5)

Approved on behalf of the Board



Director



Director

See accompanying notes to the consolidated financial statements.

Valley Regional Hospital Foundation
Consolidated Statement of Cash Flows

Year Ended March 31

2018

2017

Operating

Consolidated excess of expenditures over revenue	\$ (324,328)	\$ 690,276
Unrealized gain on investments	(77,636)	(225,803)
Interfund transfer/adjustments	<u>(3,756)</u>	<u>4,010</u>
	(405,720)	468,483

Change in non-cash operating working capital

Receivables	1,949	(2,259)
Harmonized sales tax receivable	(1,824)	(244)
Prepays	7,148	(5,248)
Payables and accruals	(225,869)	182,849
Deferred revenue	<u>(2,028)</u>	<u>8,804</u>
	<u>(626,344)</u>	<u>652,385</u>

Investing

Net change in investments	<u>299,885</u>	<u>(635,862)</u>
Increase in cash and cash equivalents	(326,459)	16,523

Cash and cash equivalents

Beginning of year	<u>341,114</u>	<u>324,591</u>
End of year	\$ <u>14,655</u>	\$ <u>341,114</u>

Cash consists of:

Cash and cash equivalents	\$ 19,100	\$ 341,114
Bank indebtedness	<u>(4,445)</u>	<u>-</u>
	\$ <u>14,655</u>	\$ <u>341,114</u>

See accompanying notes to the consolidated financial statements.

Valley Regional Hospital Foundation

Notes to the Consolidated Financial Statements

March 31, 2018

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.

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. During the year the joint venture was wound up. Therefore, the Foundation's share of the jointly controlled assets and its share of any liabilities incurred are included in the prior year only.

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.

Valley Regional Hospital Foundation

Notes to the Consolidated Financial Statements

March 31, 2018

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, \$1,000 in contributed equipment was recorded in revenue and in expenses under equipment and other donations.

Valley Regional Hospital Foundation

Notes to the Consolidated Financial Statements

March 31, 2018

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.

Valley Regional Hospital Foundation

Notes to the Consolidated Financial Statements

March 31, 2018

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.

3. Marketable securities at fair market value	<u>2018</u>	<u>2017</u>
Unrestricted Fund		
Equities quoted in an active market	\$ 2,969,230	\$ 2,736,888
Guaranteed investment certificates and cash equivalents	2,052,614	2,508,574
Endowment Fund		
Equities quoted in an active market	121,671	125,380
Guaranteed investment certificates and cash equivalents	<u>3,555</u>	<u>(1,523)</u>
	\$ <u>5,147,070</u>	\$ <u>5,369,319</u>

4. Investment income	<u>2018</u>	<u>2017</u>
Unrestricted Fund		
Dividend income	\$ 112,689	\$ 120,582
Gain on sale of investments	16,918	34,013
Interest income	<u>33,814</u>	<u>23,488</u>
	163,421	178,083
Externally Restricted Endowment Fund		
Income recognized in restricted fund	<u>5,494</u>	<u>4,847</u>
Total investment income	\$ <u>168,915</u>	\$ <u>182,930</u>

5. Commitment

The Foundation has authorized the purchase of miscellaneous equipment at a total cost of \$297,217. The disbursements are to be made on delivery of equipment, expected to occur during the 2018/19 fiscal year.

Valley Regional Hospital Foundation

Notes to the Consolidated Financial Statements

March 31, 2018

6. 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.