

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION**  
**FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2017**

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION**  
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**AS AT MARCH 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Prince Edward County Memorial Hospital Foundation

### Report on the Financial Statements

We have audited the accompanying financial statements of Prince Edward County Memorial Hospital Foundation, which comprise the statement of financial position as at March 31, 2017 and the statements of fund balances, operations and cash flows for the year then ended, and 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 charitable organizations, the Foundation derives revenue from donations, 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 and we were not able to determine whether, as at and for the years ended March 31, 2017 and March 31, 2016, any adjustments might be necessary to donations revenue, excess of revenue over expenditure, assets and fund balances.

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the financial statements present fairly, in all material respects, the financial position of Prince Edward County Memorial Hospital Foundation as at March 31, 2017, 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.



BELLEVILLE, Canada  
May 19, 2017

Chartered Professional Accountants  
Licensed Public Accountants

**WILKINSON & COMPANY LLP - CHARTERED ACCOUNTANTS**

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**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2017**

	2017				
	General Fund \$	Capital Donations Fund \$	Interfund Elimination \$	Total \$	2016 Total \$
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash	683,079			683,079	533,424
Accounts receivable	7,961			7,961	5,942
Due from general fund		228,903	(228,903)		
Prepaid expenses	1,018			1,018	1,018
	692,058	228,903	(228,903)	692,058	540,384
<b>LONG-TERM</b>					
Investments - Note 3	1,853,324			1,853,324	1,686,019
	2,545,382	228,903	(228,903)	2,545,382	2,226,403
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	33,460			33,460	13,754
Government remittances payable	1,893			1,893	1,043
Due to capital donations fund	228,903		(228,903)		
	264,256	NIL	(228,903)	35,353	14,797
<b>FUND BALANCES</b>					
Externally restricted - Note 4		228,903		228,903	71,953
Unrestricted	2,281,126			2,281,126	2,139,653
	2,281,126	228,903	NIL	2,510,029	2,211,606
<b>APPROVED ON BEHALF OF THE BOARD</b>					
_____ Director					
_____ Director					
	2,545,382	228,903	(228,903)	2,545,382	2,226,403

The accompanying notes form an integral part of these financial statements

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION  
STATEMENT OF FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2017**

	General Fund \$	2017 Capital Donations Fund \$	Total \$	2016 Total \$
<b>FUND BALANCES - BEGINNING OF YEAR -</b>	2,139,653	71,953	2,211,606	1,819,923
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	148,584	149,839	298,423	391,683
<b>INTERFUND TRANSFERS</b>	(7,111)	7,111		
<b>FUND BALANCES - END OF YEAR</b>	<b>2,281,126</b>	<b>228,903</b>	<b>2,510,029</b>	<b>2,211,606</b>

The accompanying notes form an integral part of these financial statement

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

	General Fund \$	2017 Capital Donations Fund \$	Total \$	2016 Total \$
<b>REVENUE</b>				
Donations and bequests	352,016	157,049	509,065	746,119
Investment income - Note 5	115,484		115,484	35,502
Fundraising and other income	29,370		29,370	52,344
Donations of equity securities	49,882		49,882	49,812
Unrealized gain on investments	21,367		21,367	
Municipal grant	30,000		30,000	
	<b>598,119</b>	<b>157,049</b>	<b>755,168</b>	<b>883,777</b>
<b>EXPENDITURES</b>				
Advertising and promotion	9,500		9,500	13,798
Audit fees and bookkeeping	9,355		9,355	9,355
Computer software and support	4,284		4,284	3,723
Dialysis Clinic		7,210	7,210	
Fundraising expenses	19,726		19,726	17,642
Investment management fees	18,690		18,690	17,422
Legal fees	249		249	
Miscellaneous	424		424	823
Office expenses	16,044		16,044	10,671
Picton Family Health Team				1,965
Printing, stationary and postage	5,055		5,055	3,051
Professional fees - other	21,141		21,141	22,316
Wages and benefits	101,608		101,608	71,684
Unrealized loss on investments				63,104
Transfers to Quinte Healthcare Corporation - Prince Edward County Memorial site:				
2015 Equipment				256,540
Planning for new hospital	12,910		12,910	
2016 Equipment				
- Upgrade to RX consoles	17,962		17,962	
- Carescape Monitor B650	22,883		22,883	
- Blood analyzer	30,567		30,567	
- Scopes	70,360		70,360	
- Touch & Go consoles	3,777		3,777	
- MRI campaign	85,000		85,000	
	<b>449,535</b>	<b>7,210</b>	<b>456,745</b>	<b>492,094</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>148,584</b>	<b>149,839</b>	<b>298,423</b>	<b>391,683</b>

The accompanying notes form an integral part of these financial statement

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

	General Fund \$	2017 Capital Donations Fund \$	Total \$	2016 Total \$
<b>OPERATING ACTIVITIES</b>				
Excess of revenue over expenditures	148,584	149,839	298,423	391,683
Adjustments for items which do not affect cash				
Realized (gain) loss on investments	(56,835)		(56,835)	14,583
Unrealized (gain) loss on investments	(21,367)		(21,367)	63,104
	<b>70,382</b>	<b>149,839</b>	<b>220,221</b>	<b>469,370</b>
Net change in non-cash working capital balances related to operations				
Accounts receivable	(2,019)		(2,019)	2,263
Due to capital fund	149,839	(149,839)		
Accounts payable and accrued liabilities	19,706		19,706	(54,295)
Government remittances payable	850		850	1,043
	<b>168,376</b>	<b>(149,839)</b>	<b>18,537</b>	<b>(50,989)</b>
<b>CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES</b>	<b>238,758</b>	<b>NIL</b>	<b>238,758</b>	<b>418,381</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of investments	(881,507)		(881,507)	(816,221)
Proceeds on sale of investments	792,404		792,404	536,585
<b>CASH FLOWS PROVIDED FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(89,103)</b>	<b>NIL</b>	<b>(89,103)</b>	<b>(279,636)</b>
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	<b>149,655</b>	<b>NIL</b>	<b>149,655</b>	<b>138,745</b>
<b>CASH AND EQUIVALENTS - BEGINNING OF YEAR</b>	<b>533,424</b>	<b>NIL</b>	<b>533,424</b>	<b>394,679</b>
<b>CASH AND EQUIVALENTS - END OF YEAR</b>	<b>683,079</b>	<b>NIL</b>	<b>683,079</b>	<b>533,424</b>
<b>REPRESENTED BY:</b>				
Cash	683,079	NIL	683,079	533,424

The accompanying notes form an integral part of these financial statement

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2017**

**1. PURPOSE OF ORGANIZATION**

Prince Edward County Memorial Hospital Foundation is a not-for-profit organization, incorporated under the laws of Ontario, without share capital.

The purpose of the Foundation is to support and enhance the operations of the Prince Edward County Memorial Hospital, and various charitable organizations whose objectives support or are consistent with health care, and benefit the community served by the Prince Edward County Memorial Hospital.

The Foundation has been registered with Canada Revenue Agency as a charitable public foundation, and accordingly, is exempt from income taxes.

**2. ACCOUNTING POLICIES**

Outlined below are those accounting policies and reporting practices considered to be particularly significant and adopted by the Foundation:

**(a) Basis of Accounting**

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

**(b) Accounting 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 reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. The most significant management estimates relate to the valuation of accounts receivable. Actual results could differ from these estimates.

**(c) Portfolio Investments**

Portfolio investments are acquired substantially for their income earning potential and are initially recorded at their acquisition cost. Portfolio investments are subsequently adjusted to fair value as at the date of the statement of financial position, and the corresponding unrealized gains and losses are recorded in the statement of operations for the year.

**(d) Fund Accounting**

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

The General Fund accounts for the Foundation's day-to-day operating and administrative activities, financed from unspecified donations and investment income.

The Capital Donations Fund reports assets, liabilities, revenues and expenditures related to donations received for additions or improvements to the building and other capital items.



**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2017**

**2. ACCOUNTING POLICIES (Cont'd)**

**(e) Financial Instruments**

**(i) Measurement of Financial Instruments**

The organization initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The organization subsequently measures all its financial assets (with the exception of portfolio investments) and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at fair value include portfolio investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and government remittances payable.

**(ii) Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is reflected in excess (deficiency) of revenues over expenditures. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in excess (deficiency) of revenue over expenditures, up to the amount previously recognized as impaired.

**(f) Tangible Capital Assets**

Acquisitions and disposals of tangible capital assets are treated as disbursements and receipts in the year in which the transaction occurs.

**(g) Revenue Recognition**

**(i) Investment Income**

Investment income from interest and dividends is recorded on an earned basis.

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2017**

**2. ACCOUNTING POLICIES (Cont'd)**

**(g) Revenue Recognition (Cont'd)**

**(ii) Donations and Bequests**

Restricted donations and bequests 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 in the Capital Donations Fund in the year received and not when pledged.

Unrestricted donations and bequests are recognized as revenue in the General Fund in the year received and not when pledged.

**(h) Contributed Services**

Directors and committee members volunteer their time to assist in the Organization's activities. While these services benefit the Organization considerably, a reasonable estimate of their amount and fair value cannot be made, and accordingly, these contributed services are not recognized in the financial statements.

**(i) Cash and Equivalents**

Cash and equivalents consist of cash on deposit.

**3. INVESTMENTS**

(a) The estimated fair value of the investments are as follows:

	2017	2016
	\$	\$
<b>General Fund</b>		
Bankers Acceptance		96,659
Debt Securities		
Government & provincially guaranteed	197,838	415,558
Corporate - Rated A or better		26,709
Equity Securities	735,991	587,890
Mutual Funds	919,495	559,203
	<b>1,853,324</b>	<b>1,686,019</b>

(b) Certain investments of the Foundation have a maturity date of February 7, 2024, but they may be liquidated in the short term, based on the Foundation's needs. Certain investments also contain effective interest rate of 2.00% for these investments.

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2017**

**4. EXTERNALLY RESTRICTED FUND BALANCE**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Capital Donations Fund, the income from which is unrestricted	<b>228,903</b>	71,953

The restricted fund balance consists of the following:

	Unexpended Balance 2016 \$	Donations Received & Transferred During the Year \$	Expended During the Year \$	Unexpended Balance 2017 \$
Cardiac Rehab Program	800			<b>800</b>
Dialysis Clinic		8,361	7,210	<b>1,151</b>
Equipment	71,153	155,799		<b>226,952</b>
	71,953	164,160	7,210	<b>228,903</b>

Under The Income Tax Act, a charitable public foundation is exempt from income taxes provided it disburses certain portions of its funds on charitable activities. Charitable activities include accumulating funds with the approval of The Minister of National Revenue.

**5. INVESTMENT INCOME**

Investment income earned from investments is as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Interest and dividends	<b>58,649</b>	50,085
Capital gains (losses)	<b>56,835</b>	(14,583)
	<b>115,484</b>	35,502

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2017**

**6. RELATED PARTY TRANSACTIONS**

Related parties include the Quinte Healthcare Corporation. Transactions with this related party have been recorded at the exchange amount and include:

**Medical Equipment**

During the year, the Prince Edward County Memorial Hospital Foundation transferred amounts totalling \$230,549 (\$256,540 for March 31, 2016 year-end) to the Quinte Healthcare Corporation for commitments made by the Prince Edward County Memorial Hospital Foundation to the Quinte Healthcare Corporation - Prince Edward County Memorial site for various capital equipment purchases.

**7. COMMITMENTS**

The Board of Directors has approved the following commitments:

The Foundation has made funding commitments to Quinte Healthcare Corporation for hospital planning services in the amount of \$255,000. At year end, \$147,515 has been transferred plus an amount of \$12,910 for outstanding commitments is included in accounts payable and accrued liabilities which represents the final instalment towards the \$255,000 committed by the Foundation.

For the 2015/2016 fiscal year, the Foundation made funding commitments to Quinte Healthcare Corporation for medical equipment in an amount not to exceed \$343,528. At year end, \$30,680 remains to be transferred once funding requests are received.

For the 2016/2017 fiscal year, the Foundation made funding commitments to Quinte Healthcare Corporation for medical equipment in an amount not to exceed \$201,023. At year end, \$Nil remains to be transferred as all funding requests have been received and paid.

In addition to the 2016/2017 fiscal year, the Foundation has made funding commitments to Quinte Healthcare Corporation for the MRI Campaign in an amount not to exceed \$170,000. At year end, \$85,000 has been transferred with the remaining \$85,000 to be transferred once the funding request is received.

For the 2017/2018 fiscal year, the Foundation has made funding commitments to Quinte Healthcare Corporation for medical equipment in an amount not to exceed \$250,000.

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2017**

**8. FINANCIAL RISKS AND CONCENTRATION OF RISK**

The risks that arise from transacting financial instruments include market risk, liquidity risk and credit risk.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk.

**Interest Rate Risk**

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Foundation is exposed to interest rate risk through its interest-bearing investments, as discussed in Note 3 of these financial statements. As prevailing interest rates increase or decrease, the market value of the interest-bearing investments also change. However, the company intends to hold these investments to maturity, thereby reducing any potential interest rate risk.

**Currency Risk**

Currency risk relating to the Foundation operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in the foreign currency rates occur.

Although the Foundation holds cash and investments with a carrying value of approximately \$168,000 USD, management does not believe that the Foundation is exposed to significant currency risk from these financial instruments

**Equity Risk**

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Foundation is exposed to this risk through its equity holdings within its investment portfolio, as disclosed in Note 3 to these financial statements.

This risk is mitigated through the Foundation's investment policy which is risk averse, in addition to the use of qualified investment brokers, which manage the Foundation's investments.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2017**

**8. FINANCIAL RISKS AND CONCENTRATION OF RISK (Cont'd)**

**Liquidity Risk**

Liquidity risk is the risk that the organization will not be able to meet all cash outflow obligations as they come due.

The Foundation's exposure to liquidity risk is dependent on the receipt of funds from its operations. The Foundation mitigates this risk by monitoring cash activities and expected outflows. Management is of the opinion that the Foundation will be able to meet all of its cash flow obligations as they come due and are not subject to significant liquidity risk.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

**Credit Risk**

Credit risk is the risk of financial loss if a debtor fails to make payments of interest and principal when due.

The Foundation is exposed to this risk relating to its debt holdings in its investment portfolio. This risk is mitigated through the Foundation's investment policy which is risk averse and consists of utilizing qualified investment brokers to manage their investments.