

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION**  
**FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2019**

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION**  
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**AS AT MARCH 31, 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Prince Edward County Memorial Hospital Foundation

### **Qualified Opinion**

We have audited the financial statements of Prince Edward County Memorial Hospital Foundation (the Foundation), which comprise the statement of financial position as at March 31, 2019, and the statements of fund balances, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Qualified Opinion**

In common with many charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible of 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, 2019 and March 31, 2018, any adjustments might be necessary to donations revenue, excess of revenues over expenditures, assets and fund balances.

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 qualified 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 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 these 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.

**INDEPENDENT AUDITOR'S REPORT  
(CONT'D)**

**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 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 these 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. 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 the 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.

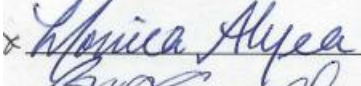
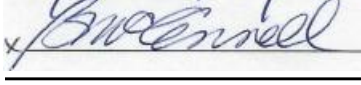
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Wilkinson & Company LLP*

BELLEVILLE, Canada  
June 27, 2019

Chartered Professional Accountants  
Licensed Public Accountants

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2019**

	2019				
	General Fund \$	Capital Donations Fund \$	Interfund Elimination \$	Total \$	2018 Total \$
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash	1,165,416			1,165,416	730,716
Accounts receivable	7,389			7,389	16,200
Due from general fund		495,127	(495,127)		
Prepaid expenses	4,291			4,291	5,650
	<b>1,177,096</b>	<b>495,127</b>	<b>(495,127)</b>	<b>1,177,096</b>	<b>752,566</b>
<b>LONG-TERM</b>					
Investments - Note 3	1,941,744			1,941,744	1,879,863
	<b>3,118,840</b>	<b>495,127</b>	<b>(495,127)</b>	<b>3,118,840</b>	<b>2,632,429</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	80,568			80,568	167,309
Government remittances payable	3,588			3,588	3,318
Due to capital donations fund	495,127		(495,127)		
	<b>579,283</b>	<b>NIL</b>	<b>(495,127)</b>	<b>84,156</b>	<b>170,627</b>
<b>FUND BALANCES</b>					
Externally restricted - Note 4		495,127		495,127	(116,177)
Unrestricted	2,539,557			2,539,557	2,577,979
	<b>2,539,557</b>	<b>495,127</b>	<b>NIL</b>	<b>3,034,684</b>	<b>2,461,802</b>
<b>APPROVED ON BEHALF OF THE BOARD</b>					
 Director					
 Director					
	<b>3,118,840</b>	<b>495,127</b>	<b>(495,127)</b>	<b>3,118,840</b>	<b>2,632,429</b>

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, 2019**

	<u>General</u> Fund \$	<u>2019 Capital Donations</u> Fund \$	<u>Total</u> \$	2018 Total \$
<b>FUND BALANCES - BEGINNING OF YEAR -</b>	<b>2,577,979</b>	<b>(116,177)</b>	<b>2,461,802</b>	2,510,029
<b>EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)</b>	<b>9,333</b>	<b>563,549</b>	<b>572,882</b>	(48,227)
<b>INTERFUND TRANSFERS - Note 5</b>	<b>(47,755)</b>	<b>47,755</b>		
<b>FUND BALANCES - END OF YEAR</b>	<b>2,539,557</b>	<b>495,127</b>	<b>3,034,684</b>	2,461,802

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, 2019**

	General Fund \$	2019 Capital Donations Fund \$	Total \$	2018 Total \$
<b>REVENUE</b>				
Donations and bequests	344,490	745,658	1,090,148	198,396
Investment income - Note 6	30,297		30,297	67,562
Fundraising and other income	237		237	362,801
Donations of equity securities	31,016		31,016	53,953
Unrealized gain on investments	53,915		53,915	
Grant income		26,490	26,490	75,000
	<b>459,955</b>	<b>772,148</b>	<b>1,232,103</b>	<b>757,712</b>
<b>EXPENDITURES</b>				
Advertising and promotion	3,129		3,129	7,298
Audit fees and bookkeeping	11,693		11,693	7,016
Computer software and support	6,956		6,956	5,980
Fundraising expenses	25,528		25,528	29,913
Investment management fees	19,745		19,745	19,570
Miscellaneous	1,255		1,255	5,944
Office expenses	24,093		24,093	18,847
Printing, stationary and postage	9,306		9,306	7,812
Wages and benefits	152,711	55,840	208,551	133,552
Unrealized loss on investments				17,095
Transfers to Quinte Healthcare Corporation - Prince Edward County Memorial site:				
2018 Equipment				197,364
Planning for new hospital		152,759	152,759	355,548
2019 Equipment				
- Ventilator	32,666		32,666	
- Colonoscopes	58,055		58,055	
- Gastrosopes	44,547		44,547	
- Stretchers	20,898		20,898	
- Monitors	22,668		22,668	
- Overbed tables	2,046		2,046	
- Ceiling Lift System	15,326		15,326	
	<b>450,622</b>	<b>208,599</b>	<b>659,221</b>	<b>805,939</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)</b>				
	<b>9,333</b>	<b>563,549</b>	<b>572,882</b>	<b>(48,227)</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, 2019**

	General Fund \$	2019 Capital Donations Fund \$	Total \$	2018 Total \$
<b>OPERATING ACTIVITIES</b>				
Excess of revenue over expenditures (expenditures over revenue)	9,333	563,549	572,882	(48,227)
Adjustments for items which do not affect cash				
Realized gain on investments	21,431		21,431	(20)
Unrealized (gain) loss on investments	(53,915)		(53,915)	17,095
	<b>(23,151)</b>	<b>563,549</b>	<b>540,398</b>	<b>(31,152)</b>
Net change in non-cash working capital balances related to operations				
Accounts receivable	8,811		8,811	(8,239)
Prepaid expenses	1,359		1,359	(4,632)
Due to capital fund	563,549	(563,549)		
Accounts payable and accrued liabilities	(86,741)		(86,741)	133,849
Government remittances payable	270		270	1,425
	<b>487,248</b>	<b>(563,549)</b>	<b>(76,301)</b>	<b>122,403</b>
<b>CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES</b>	<b>464,097</b>	<b>NIL</b>	<b>464,097</b>	<b>91,251</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of investments	(1,488,058)		(1,488,058)	(2,055,612)
Proceeds on sale of investments	1,458,661		1,458,661	2,011,998
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(29,397)</b>	<b>NIL</b>	<b>(29,397)</b>	<b>(43,614)</b>
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	<b>434,700</b>	<b>NIL</b>	<b>434,700</b>	<b>47,637</b>
<b>CASH AND EQUIVALENTS - BEGINNING OF YEAR</b>	<b>730,716</b>	<b>NIL</b>	<b>730,716</b>	<b>683,079</b>
<b>CASH AND EQUIVALENTS - END OF YEAR</b>	<b>1,165,416</b>	<b>NIL</b>	<b>1,165,416</b>	<b>730,716</b>
<b>REPRESENTED BY:</b>				
Cash	1,165,416	NIL	1,165,416	730,716

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, 2019**

**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, 2019**

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

**(e) Financial Instruments**

**(i) Measurement of Financial Instruments**

The Foundation 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 Foundation 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, 2019**

**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 Foundation's activities. While these services benefit the Foundation 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:

	2019	2018
	\$	\$
<b>General Fund</b>		
Debt Securities		
Royal Bank of Canada	73,177	
Export Dev CDA	54,391	
Federal government	684,517	
Canada - Housing trust	250,509	
Equity Securities	666,608	676,671
Mutual Funds	210,042	1,203,192
Two year GIC	2,500	
	<b>1,941,744</b>	<b>1,879,863</b>

(b) The maturity dates of the fixed income ranges from 2019 until 2020, but they may be liquidated in the short term, based on the Foundation's needs. The effective interest rates range from 0.75% to 1.75%.

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

**4. EXTERNALLY RESTRICTED FUND BALANCE**

	<b>2019</b>	2018
	\$	\$
Capital Donations Fund, the income from which is unrestricted	<b>495,127</b>	(116,177)

The restricted fund balance consists of the following:

	Unexpended Balance 2018 \$	Donations Received & Transferred During the Year \$	Expended During the Year \$	Unexpended Balance 2019 \$
Cardiac Rehab Program	800			<b>800</b>
Dialysis Clinic	4,502	1,100		<b>5,602</b>
Equipment	(121,479)	332,892	55,840	<b>155,573</b>
New Hospital		485,911	152,759	<b>333,152</b>
	(116,177)	819,903	208,599	<b>495,127</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. INTERFUND TRANSFERS**

During the year, the Foundation internally transferred from the General Fund to the Capital Asset Fund \$47,755 (2018 - \$9,179). These transfers are to fund the cash outlays required for tangible capital asset acquisitions and for the costs related to the planning of the new hospital.

**6. INVESTMENT INCOME**

Investment income earned from investments is as follows:

	<b>2019</b>	2018
	\$	\$
Interest and dividends	<b>51,728</b>	67,542
Capital gains	<b>(21,431)</b>	20
	<b>30,297</b>	67,562

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

**7. 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 \$196,206 (2018 - \$197,363) 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.

**Capital Planning**

During the year, the Prince Edward County Memorial Hospital Foundation transferred amounts totalling \$155,425 (2018 - \$94,575) 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 planning expenses for the new hospital.

**8. COMMITMENTS**

The Board of Directors has approved the following commitments:

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, \$Nil remains to be transferred as the remaining funding request has been rescinded by the Board.

During the 2016/2017 fiscal year, the Foundation entered into an agreement with Ketchum Canada Inc. with respect to their new hospital campaign for an initial fee of \$25,000 plus travel plus HST and then starting in November 2017 for a monthly fee of \$18,000 plus travel plus HST until March 2018. A new agreement was started in April 2018 for a monthly fee of \$12,000 plus travel plus HST until September 2018. The agreement with Ketchum Canada Inc. was not renewed after September 2018. Amounts paid during the year were \$86,657 (2018 - \$95,627).

For the 2017/2018 fiscal year, the Foundation has made funding commitments to Quinte Healthcare Corporation for capital planning in an amount not to exceed \$250,000. At year end, \$NIL remains to be transferred as all funding requests have been received and paid.

For the 2017/2018 fiscal year, the Foundation made funding commitments to Quinte Healthcare Corporation for medical equipment in an amount not to exceed \$250,000. At year end, \$148,110 has been received plus an amount of \$101,890 for outstanding commitments.

For the 2018/2019, The Foundation made funding commitments to Quinte Healthcare Corporation for medical equipment in the an amount not to exceed \$254,743. At year end, \$196,206 has been transferred plus an amount of \$58,537 for outstanding commitments is included in accounts payable and accrued liabilities which represents the remaining balance towards the \$254,743 committed.

**PRINCE EDWARD COUNTY MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

**8. COMMITMENTS (Cont'd)**

For the 2019/2020 fiscal year, the Foundation has made funding commitments to Quinte Healthcare Corporation for medical equipment in an amount not to exceed \$362,000.

**9. 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 Foundation 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 \$185,000 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, 2019**

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

**Liquidity Risk**

Liquidity risk is the risk that the Foundation 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.