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# Woodstock Hospital Foundation

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## **FINANCIAL STATEMENTS**

Years ended December 31, 2017 and 2016

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**INDEPENDENT AUDITORS' REPORT**

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*To the Members  
Woodstock Hospital Foundation*

*Report on the Financial Statements*

We have audited the accompanying financial statement of Woodstock Hospital Foundation which comprise the statement of financial position as at December 31, 2017 and the statements of operations and changes in fund balances, 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.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these 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 auditors' 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 auditors consider internal controls 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

*Basis for Qualified Opinion*

In common with many not-for-profit organizations, Woodstock Hospital Foundation derives revenue from its fundraising activities the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Woodstock Hospital Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenue over expenses, and cash flows from operations for the and net assets as at December 31, 2017.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Woodstock Hospital Foundation as at December 31, 2017, and the results of its operations and cash flows for the year ended then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Woodstock, Ontario*

*February 20, 2018*

*Symons, Wearn & Smith LLP*

*CPA, CA, Licensed Public Accountants*

# WOODSTOCK HOSPITAL FOUNDATION

## STATEMENT OF FINANCIAL POSITION

<i>As at December 31</i>	2017	2016
<i>ASSETS</i>		
CURRENT		
Cash	\$ 329,329	\$ 175,244
Accounts receivable	6,821	6,045
HST receivable	16,267	11,718
Prepaid expenses	<u>4,872</u>	<u>6,944</u>
	357,289	199,951
INVESTMENTS [Note 4]	13,397,616	12,888,258
OTHER [Note 5]	584,439	562,928
CAPITAL [Note 6]	<u>71,560</u>	<u>66,790</u>
	<u>\$ 14,410,904</u>	<u>\$ 13,717,927</u>
<i>LIABILITIES AND NET ASSETS</i>		
CURRENT		
Due to Woodstock General Hospital Trust [Note 7]	\$ 44,492	\$ 49,594
Accounts payable and accrued liabilities	<u>7,947</u>	<u>11,071</u>
	<u>52,439</u>	<u>60,665</u>
FUND BALANCES		
General fund [Note 9]	13,725,823	13,247,149
Restricted fund	<u>632,642</u>	<u>410,113</u>
	<u>14,358,465</u>	<u>13,657,262</u>
	<u>\$ 14,410,904</u>	<u>\$ 13,717,927</u>

APPROVED:

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# WOODSTOCK HOSPITAL FOUNDATION

## STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

	General Fund		Restricted Fund		Total	
	2017	2016	2017	2016	2017	2016
<i>For the year ended December 31</i>						
<b>REVENUE</b>						
Bequests	\$ 213,158	\$ 52,979	\$ -	\$ -	\$ 213,158	\$ 52,979
Contributions	110,715	128,767	660,336	372,218	771,051	500,986
Direct mailers	-	-	91,169	118,494	91,169	118,494
Community fundraising	9,778	9,908	124,471	131,967	134,249	141,875
Bingos and lotteries	3,134	3,134	-	-	3,134	3,134
Lifeline rentals	278,818	243,517	-	-	278,818	243,517
Investment income [Note 5]	717,956	747,343	22,226	48,632	740,182	795,974
	<u>1,333,559</u>	<u>1,185,648</u>	<u>898,202</u>	<u>671,311</u>	<u>2,231,761</u>	<u>1,856,959</u>
<b>EXPENSES</b>						
Advertising and promotion	3,309	4,230	9,927	12,689	13,236	16,919
Bingos and lotteries	1,498	1,618	13,849	14,390	15,347	16,008
Campaign	-	-	9,131	10,912	9,131	10,912
Community fundraising events	-	-	36,711	45,592	36,711	45,592
Direct mailers	-	-	14,876	15,023	14,876	15,023
Office	6,959	6,115	20,879	18,345	27,838	24,460
Other	3,844	3,674	11,531	10,704	15,375	14,378
Salaries and wages	38,466	36,925	115,398	110,776	153,864	147,700
Lifeline	244,180	229,012	-	-	244,180	229,013
	<u>298,256</u>	<u>281,574</u>	<u>232,302</u>	<u>238,431</u>	<u>530,558</u>	<u>520,005</u>
Funds available for distribution	1,035,303	904,074	665,900	432,880	1,701,203	1,336,954
Less: Contributions to Woodstock General Hospital Trust [Note 8]	(556,629)	-	(443,371)	(825,978)	(1,000,000)	(825,978)
Excess of revenue over expenses for the year	478,674	904,074	222,529	(393,098)	701,203	510,976
Fund balances, beginning of year	<u>13,247,149</u>	<u>12,343,075</u>	<u>410,113</u>	<u>803,211</u>	<u>13,657,262</u>	<u>13,146,286</u>
Fund balances, end of year	<u>\$ 13,725,823</u>	<u>\$ 13,247,149</u>	<u>\$ 632,642</u>	<u>\$ 410,113</u>	<u>\$ 14,358,465</u>	<u>\$ 13,657,262</u>

# WOODSTOCK HOSPITAL FOUNDATION

## STATEMENT OF CASH FLOWS

<i>For the year ended December 31</i>	2017	2016
OPERATING ACTIVITIES		
Cash from operations:		
Excess of revenue over expenses for the year	\$ 701,203	\$ 510,976
Depreciation	25,615	27,377
Realized and unrealized gain on investments	664,589	768,310
	<u>1,391,407</u>	<u>1,306,663</u>
(Increase) Decrease in accounts receivable	(776)	210
Increase in HST receivable	(4,549)	(3,428)
Decrease in prepaid expenses	2,072	7,210
Decrease in due to Woodstock General Hospital Trust	(5,096)	1,230
(Decrease) Increase in accounts payable and accrued liabilities	(3,130)	1,823
	<u>1,379,928</u>	<u>1,313,708</u>
INVESTING ACTIVITIES		
Additions to capital assets	(30,384)	(15,678)
Increase in other assets	(21,511)	(22,547)
Increase in investments	(1,173,948)	(1,673,165)
	<u>(1,225,843)</u>	<u>(1,711,390)</u>
INCREASE (DECREASE) IN CASH	154,085	(397,682)
CASH - BEGINNING OF YEAR	<u>175,244</u>	<u>572,926</u>
CASH - END OF YEAR	<u>\$ 329,329</u>	<u>\$ 175,244</u>

# WOODSTOCK HOSPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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*December 31, 2017*

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### 1. PURPOSE OF ORGANIZATION

The Woodstock Hospital Foundation (the "Foundation") is incorporated under the laws of Ontario as a corporation without share capital. The Foundation receives, accumulates and distributes funds and the income for the benefit of the Woodstock General Hospital Trust.

The Foundation is a public foundation registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. To maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation:

The accounting policies of Woodstock Hospital Foundation ("the Foundation") are in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant.

#### Fund Accounting:

To ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of "fund accounting". Resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors. Transfers between the Funds are made when it is considered appropriate and authorized by the Board of Directors. To meet these objectives of financial reporting and stewardship over assets, certain interfund transfers may be necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded as a component of changes in fund balances.

For financial reporting purposes, the accounts have been classified into the following funds:

#### General Fund:

The General Fund accounts for the Foundation's general fundraising, receiving of grants and administrative activities. The General Fund reports unrestricted resources available for immediate purposes.

#### Restricted Fund:

The Restricted Fund consists of funds that have been externally restricted by donors. The purpose of the Restricted Fund is to distribute, as specified, donor requested contributions and to fund costs associated with the fundraising events that generate any donor restricted contributions. The costs include fundraising costs, salaries and any related office expenses.

#### Cash and cash equivalents:

Cash and cash equivalents consist of cash deposits. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as investments.

# WOODSTOCK HOSPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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*December 31, 2017*

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### 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Revenue Recognition:

- i) Donor restricted contributions are recognized as revenue of the restricted fund when received.
- ii) Interest and dividend income, and operating expenses are recorded as earned or incurred. Investment income is allocated to the various funds on a pro-rata basis, unless directed otherwise.
- iii) Unrestricted contributions are recognized as revenue of the General Fund. Contributions are recognized in revenue when received or receivable.
- iv) Life insurance policies that have named the Foundation as owner/beneficiary are recorded at the cash surrender value of the policy. The increase in cash surrender value from year to year is recorded as investment income to the General Fund.
- v) Pledges are recorded on a cash basis as they are not legally enforceable claims.

#### Investments:

The investments are presented at their fair values using quoted market prices as at December 31, 2016. Interest, dividends, realized and unrealized gains are recorded as investment income and included in net income for the year. Investment income is allocated between the General and Restricted funds based on the respective percentage of the fund's share of the opening fund balance for the year.

#### Capital Assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Lifeline equipment is amortized on a straight-line method over seven years.

#### Use of Estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### Contributed materials and services:

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.



# WOODSTOCK HOSPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

*December 31, 2017*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Allocation of expenses:

Direct fundraising expenses represent costs that are directly related to these activities. General fundraising and administrative expenses are allocated to the Restricted Fund based on an estimate by management of personnel time.

### 3. OTHER ASSETS

	<u>2017</u>	<u>2016</u>
Cash surrender value of life insurance policies	\$ 541,741	\$ 525,500
Artwork and collectibles held in inventory	<u>42,698</u>	<u>37,428</u>
	<u>\$ 584,439</u>	<u>\$ 562,928</u>

The existing life insurance policies at December 31, 2017 have a value upon the death of the insured of approximately \$1,065,000 (2016 - \$1,065,000).

### 4. INVESTMENTS

	<u>2017</u>	<u>2016</u>
Cash	\$ 37,307	\$ 69,046
Bonds	4,104,831	4,011,480
Mutual funds - equities	<u>9,255,478</u>	<u>8,807,732</u>
	<u>\$ 13,397,616</u>	<u>\$ 12,888,258</u>

The bonds bear interest at rates varying between 1.45% and 2.40% per annum.

### 5. INVESTMENT INCOME

	<u>2017</u>	<u>2016</u>
Interest	\$ 75,593	\$ 27,665
Realized and unrealized investment gains, net of investment management fees	<u>664,589</u>	<u>768,309</u>
	<u>\$ 740,182</u>	<u>\$ 795,974</u>

### 6. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2017 Net</u>	<u>2016 Net</u>
Lifeline equipment	\$ 605,916	\$ 534,356	\$ 71,560	\$ 66,790

# WOODSTOCK HOSPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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*December 31, 2017*

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### **7. DUE TO WOODSTOCK GENERAL HOSPITAL TRUST**

This amount represents expenses paid by the Woodstock General Hospital Trust on behalf of the Foundation and not yet repaid by the Foundation at year-end.

### **8. CONTRIBUTIONS TO WOODSTOCK GENERAL HOSPITAL TRUST**

During the year the Foundation transferred funds to the Woodstock General Hospital Trust subject to restrictions provided by the donors. Amount contributed to the Woodstock General Hospital Trust included funds to purchase new equipment for the hospital.

### **9. GENERAL FUND**

The Foundation's general fund consists of \$71,560 (2016 - \$66,790) invested in capital assets. During the year, the Foundation invested \$30,384 (2016 - \$15,678) in capital assets and recorded depreciation expense of \$25,615 (2016 - \$27,377).

### **10. CAPITAL MANAGEMENT**

In managing capital, the Foundation focuses on liquid resources available for operations and accumulation of wealth to support the purchase of required capital equipment. Capital is invested under the direction of the Board of Directors with the objective of providing a reasonable rate of return, minimizing investment risk and ensuring adequate liquid investments are available for current cash flow requirements. As at December 31, 2017, the Foundation has met its objectives.

### **11. PLEDGES RECEIVABLE**

At December 31, 2017, the Foundation has received pledges from one donor totaling approximately \$13,000 (2016 - \$15,000). These pledges have not been recorded in the accompanying financial statements as outlined in note 2.

### **12. COMPARATIVE FIGURES**

Certain prior year comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

# WOODSTOCK HOSPITAL FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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*December 31, 2017*

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### 13. FINANCIAL INSTRUMENTS

#### Fair Value

The Foundation has various financial instruments including cash, accounts receivable, HST receivable, prepaid expenses, investments, due to Woodstock General Hospital Trust, accounts payable and accrued liabilities and deferred lottery proceeds. Due to their short-term maturity, except for investments, book values approximate fair market value. Investments are presented at their fair market value as disclosed in the "Investments" paragraph in note 2.

Transacting in financial instruments exposes the Foundation to certain financial risks and uncertainties. These risks include:

#### Credit Risk

The Foundation is not subject to credit risk as pledge receivables are not recorded in the financial statements. Pledges are recorded on a cash basis as they are not legally enforceable.

#### Currency Risk

Currency risk refers to the risk that the fair value of financial instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The functional currency of the Foundation is the Canadian dollar. The Foundation holds a small portion of its investments in US dollars. The Foundation has an Investment policy that details the target mix of investment types designated to achieve the optimum return with reasonable risk tolerance. The Foundation does not use derivative financial instruments to alter the effects of this risk.

#### Interest Rate Risk

Interest rate risk refers to the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates. The Foundation's objective with respect to its investments in fixed income investments is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory investment return.

#### Market Risk

Market risk refers to the risk that the fair value of financial instruments will fluctuate because of changes in market prices. The Foundation's investment policy has established a target mix of investment types designated to achieve the optimum return with reasonable risk tolerance.

#### Liquidity Risk

Liquidity risk refers to the risk that the Foundation will not be able to meet its financial obligations as they come due. Liquidity risk also include the risk of the Foundation not being able to liquidate assets in a timely manner at a reasonable price. The Foundation meets its liquidity requirements by maintaining cash balances sufficient to meet cash flow requirements and holding significant investments that can readily be converted into cash.