

**TRENTON MEMORIAL HOSPITAL FOUNDATION
FINANCIAL STATEMENTS
AS AT MARCH 31, 2016**

DRAFT

May 30, 2016

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**TRENTON MEMORIAL HOSPITAL FOUNDATION
TABLE OF CONTENTS
AS AT MARCH 31, 2016**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 14

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Trenton Memorial Hospital Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Trenton Memorial Hospital Foundation, which comprise the statement of financial position as at March 31, 2016 and the statements of operations, changes in fund balance 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 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.

Basis for Qualified Opinion

In common with many charitable organizations, Trenton Memorial Hospital Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these donations was limited to the amounts recorded in the records of the Trenton Memorial Hospital Foundation and we were not able to determine whether 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, these financial statements present fairly, in all material respects, the financial position of Trenton Memorial Hospital Foundation as at March 31, 2016, and the results of its operations for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

TRENTON, Canada
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Chartered Accountants
Licensed Public Accountants

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TRENTON MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2016

	<u>Community Healthcare Fund</u>		<u>Restricted Funds</u>		<u>Endowment Funds</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$ (000's)	\$	\$ (000's)	\$	\$ (000's)	\$	\$ (000's)	\$
CURRENT ASSETS								
Cash	58	44	120	472	-	2	178	518
Accounts receivable	6	4	25	25	-	-	31	29
Prepaid	2	-	9	4	-	-	11	4
Amounts due from internal funds	10	14	97	85	-	-	107	99
	76	62	251	586	-	2	327	650
TANGIBLE CAPITAL ASSETS - Note 4	92	93	-	-	-	-	92	93
LONG-TERM ASSETS								
Investments - Note 2(d)	4,099	3,294	6,954	6,059	2,818	2,805	13,871	12,158
	4,267	3,449	7,205	6,645	2,818	2,807	14,290	12,901
CURRENT LIABILITIES								
Accounts payable and accrued liabilities	23	5	6	1	-	-	29	6
Amounts due to Quinte Healthcare Corporation - Notes 5 & 7	24	22	2,008	765	-	-	2,032	787
Amounts due to Kay Stafford Funding Applicants - Note 8	-	-	5	5	-	-	5	5
Amounts due to internal funds	-	-	-	-	107	99	107	99
	47	27	2,019	771	107	99	2,173	897
FUND BALANCES								
Externally restricted - Notes 6 & 7	-	-	5,186	5,874	2,711	2,708	7,897	8,582
Internally restricted - Note 6	3,000	3,000	-	-	-	-	3,000	3,000
Unrestricted	1,220	422	-	-	-	-	1,220	422
	4,220	3,422	5,186	5,874	2,711	2,708	12,117	12,004
	4,267	3,449	7,205	6,645	2,818	2,807	14,290	12,901

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

TRENTON MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2016

	<u>Community Healthcare Fund</u>		<u>Restricted Funds</u>		<u>Endowment Funds</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$ (000's)	\$	\$ (000's)	\$	\$ (000's)	\$	\$ (000's)	\$
REVENUE								
Investment income - realized	164	269	603	631	5	6	772	906
Investment income (loss) - unrealized	(134)	179	(436)	245	(2)	8	(572)	432
Special events fundraising	-	-	355	434	-	-	355	434
Donations	1,113	23	671	711	-	-	1,784	734
	1,143	471	1,193	2,021	3	14	2,339	2,506
EXPENSES								
Accounting, audit and legal	23	20	-	-	-	-	23	20
Fundraising expenses	52	51	22	19	-	-	74	70
Investment management fees	17	17	26	21	-	-	43	38
Office	-	-	6	11	-	-	6	11
Salaries and employee benefits	251	241	-	-	-	-	251	241
Special events fundraising	-	-	68	86	-	-	68	86
	343	329	122	137	-	-	465	466
EXCESS OF REVENUE OVER EXPENSES BEFORE GRANTS	800	142	1,071	1,884	3	14	1,874	2,040
GRANTS - Note 8								
Quinte Healthcare Corporation	1	-	1,681	1,322	-	-	1,682	1,322
Others	1	2	78	62	-	-	79	64
	2	2	1,759	1,384	-	-	1,761	1,386
EXCESS OF REVENUE OVER EXPENSES & GRANTS FOR THE YEAR (EXCESS OF EXPENSES OVER REVENUE & GRANTS FOR THE YEAR)	798	140	(688)	500	3	14	113	654
FUND BALANCES - BEGINNING OF YEAR	3,422	3,282	5,874	5,374	2,708	2,694	12,004	11,350
FUND BALANCE - END OF YEAR	4,220	3,422	5,186	5,874	2,711	2,708	12,117	12,004

The accompanying notes form an integral part of these financial statements

**TRENTON MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Community Healthcare Fund</u>		<u>Restricted Funds</u>		<u>Endowment Funds</u>		<u>Total</u>	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
OPERATING ACTIVITIES								
Excess of receipts over expenditures (excess of expenditures over receipts)	798	140	(688)	500	3	14	113	654
Adjustment for:								
Amortization of capital assets	9	7	-	-	-	-	9	7
Increase (decrease) in accounts payable and accrued liabilities	18	(14)	5	1	-	-	23	(13)
Decrease (increase) in accounts receivable	(2)	(4)	-	(9)	-	-	(2)	(13)
Increase (decrease) in due to Quinte Healthcare Corporation	2	4	1,243	354	-	-	1,245	358
Increase (decrease) in interfund payables and receivables	4	(9)	(12)	(71)	8	75	-	(5)
Decrease (increase) in prepaid revenue	(2)	-	(5)	(3)	-	-	(7)	(3)
Increase (decrease) in deferred revenue	-	-	-	(2)	-	-	-	(2)
Increase (decrease) in Kay Stafford Funding	-	-	-	5	-	-	-	5
Decrease (increase) in investments	(805)	(200)	(895)	(551)	(13)	(99)	(1,713)	(850)
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES	22	(76)	(352)	224	(2)	(10)	(332)	138
INVESTMENT AND FINANCING ACTIVITIES								
Purchase of capital assets	(8)	-	-	-	-	-	(8)	-
CASH USED IN INVESTING AND FINANCING ACTIVITIES	(8)	-	-	-	-	-	(8)	-
NET INCREASE (DECREASE) IN CASH	14	(76)	(352)	224	(2)	(10)	(340)	138
CASH - BEGINNING OF YEAR	44	120	472	248	2	12	518	380
CASH - END OF YEAR	58	44	120	472	-	2	178	518

The accompanying notes form an integral part of these financial statements

**TRENTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

1. PURPOSE OF THE ORGANIZATION

The Trenton Memorial Hospital Foundation (The "Foundation") is a public Foundation incorporated for the purpose of raising and managing funds that will assist Quinte Healthcare Trenton Memorial (the "Hospital") and its healthcare professionals in providing quality healthcare services to the area communities. In addition, the Foundation raises and manages funds that support a variety of other healthcare services in its catchment area. The Foundation raises these funds through comprehensive fundraising programs and the management of its investment portfolio.

The Foundation's investment policies and decisions are made by an Investment Finance Committee of the Board of Directors (the "Board") with the support of a professional fund manager. In accordance with these policies, investments in shares in publicly traded companies are restricted to well capitalized corporations listed on major North American stock exchanges, guaranteed investment certificates and high-grade corporate and government bonds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements:

Fund Accounting

In order 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. Accordingly, 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. Transfers between the funds are made when it is considered appropriate and authorized by the Board. To meet these objectives of financial reporting and stewardship over assets, certain inter-fund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These inter-fund transfers are reported on the Statement of Operations and Changes in Fund Balances.

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

**TRENTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

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

(a) Community Health Care Fund

The Community Health Care Fund accounts for the Foundation's general fund-raising and granting activities. This fund reports unrestricted resources available for immediate purposes and internally restricted resources available to fund continued operations.

(b) Restricted Funds

The Restricted Funds include those funds where resources are to be used for an identified purpose as specified by the donor, as stipulated by the fund-raising appeal, or as determined by the Board.

(c) Endowment Funds

The Endowment Funds consist of externally restricted contributions received by the Foundation where the endowment principal is required to be maintained intact. The investment income generated from the assets held for endowment purposes must be used as directed by the donor.

(d) Investments

Investments are classified as held for trading and are measured at fair value. Fair values are based on the listed market values. Gains and losses arising from changes in fair value are included in the Statement of Operations and Changes for the period.

(e) Translation of Foreign Currencies

The cost of investments, revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the transaction date.

(f) Revenue Recognition

Unrestricted contributions are recognized as revenue in the Community Health Care Fund in the year received. Donor restricted contributions for specific purposes are recognized as revenue in the Restricted Fund unless the principal is to be maintained permanently, in which case the contributions are recognized as revenue in the Endowment Fund.

Investment income (loss) on Endowment Fund resources that must be spent on donor restricted activities is recognized in the Restricted Fund. Investment income (loss) subject to donor restrictions stipulating that it be added to the principal amount of the endowment is recognized in the Endowment Fund. Unrestricted investment income is recognized in the Community Health Care Fund.

**TRENTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

(g) Financial Instruments

(i) Measurement of Financial Instruments

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost except for equities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in income.

Financial assets measured at fair value include investments

Financial assets measured at amortized cost include accounts receivables

There are no financial liabilities measured at fair value

Financial liabilities measured at amortized cost include accounts payables and accrued liabilities, amounts due to Quinte Healthcare Corporation and amounts due to Kay Stafford Funding Applicants

(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 recorded in net income. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the impairment amount previously recognized.

(h) Grant Recognition

Grants and commitments are recognized at the date of Board approval.

(i) Tangible Capital Assets

The Foundation's capital assets are carried at cost. Amortization of capital assets, which is based on estimated useful life, is calculated using the rates and bases applied as follows:

Asset	Basis	Rate
Artwork	Not applicable	Nil
Computer equipment	Declining balance	45%
Donor Wall	Straight-line	10 years

3. CAPITAL REQUIREMENTS

The accompanying notes form an integral part of these financial statements

TRENTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

The Foundation's objectives with respect to capital management are to maintain a minimum capital base that allows the Foundation to continue with and execute its overall purpose as outlined in the fund balances accounting policy in Note 2. The Foundation's Board of Directors perform periodic reviews of the Foundation's capital needs to ensure they remain consistent with the risk tolerance that is acceptable to the Foundation.

4. TANGIBLE CAPITAL ASSETS

	2016		2015	
	Cost \$ (000's)	Accumulated amortization \$ (000's)	Cost \$ (000's)	Accumulated amortization \$ (000's)
Donor Wall	68	30	68	23
Artwork	48	-	48	-
Computer	9	3	1	1
	125	33	117	24
Cost less accumulated amortization	\$ 92		\$ 93	

**TRENTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

5. COMMITMENTS

The Board of Directors have committed the Foundation to financing the following programs on behalf of Quinte Healthcare - Trenton Memorial:

	Approved Commitment \$	Suspended \$	Transfers To Date \$
Cystoscopy Equipment - 2014/2015	704,709	-	565,281
Priority Medical Equipment - 2014/2015	749,207	-	424,007
Kay Stafford Community - 2014/2015	55,173	-	52,673
Priority Medical Equipment - 2015/2016	937,340	188,042	134,715
Diagnostic Renovations - 2014/2015	200,000	-	-
PAIN Clinic - 2015/2016	79,600	79,600	-
Priority Medical Equipment - 2016/2017	440,616	-	-
Children's Treatment Centre - 2016/2017	20,152	-	-
Kay Stafford Community - 2015/2016	2,500	-	-

During the year, the Foundation suspended \$188,042 of the Priority Medical Equipment Commitment 2015/2016 and \$79,600 for the PAIN Clinic has been suspended pending the outcome of the proposed reductions at Trenton Memorial Hospital.

6. RESTRICTED FUNDS

The Restricted Funds consist of the following:

	2016 (000's)	2015 (000's)
Donor-Restricted Balances		
Restricted for purchase of priority capital equipment for the Trenton Memorial Hospital	5,382	5,775
Restricted Commitment fund	(456)	13
Restricted for future health care services, programs, and building redevelopment in the Quinte West and Brighton Area specifically	260	86
	5,186	5,874
Internally Imposed Restrictions		
Restricted by the Board to fund continued operations	3,000	3,000
Restricted for future health care services, programs, and building redevelopment in the Quinte West and Brighton Area specifically	1,067	-
	9,253	8,874

**TRENTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

7. ENDOWMENT FUNDS

The Endowment Fund consists of externally restricted contributions received by the Foundation where the endowment principal is required to be maintained intact. The Endowment Fund also includes internal resources transferred by the Board of Directors (the "Board") to the Endowment Fund, with the intention that the principal be maintained intact, but may be drawn down to fund operating activities and grants as required.

	2015 \$ (000's)	2015 \$ (000's)
SO Graham - The Board has been authorized by the donor to determine where the investment income each year is best donated	10	10
Joan Wheatly Nursing Education Fund - The Foundation provides the investment income amount to the QHC Education Committee who evaluates the applications received from all qualifying nursing staff	145	143
Pearl and Gordon Woodcox Diabetic Fund - The Foundation provides the investment income amount to the QHC Education Committee who evaluates the applications received from all qualifying staff	95	94
Roli and Audrey Terrill Equipment Fund - The Foundation is responsible for allocating the investment income to annual equipment needs at QHC - Trenton Memorial	489	489
Doris and Wes Rees Education Fund - Nurses and Physicians submit applications annually to the Foundation for continuing education needs	250	250
George Edward Meyers Trust Fund - The Foundation is responsible for allocating the investment income to annual needs at QHC - Trenton Memorial	561	561
Kay Stafford Fund - Education of the Trenton Hospital staff and Trenton Hospital and community programs	1,161	1,161
	2,711	2,708

**TRENTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

8. RELATED PARTY TRANSACTIONS

Related parties include the Tri-County Healthcare Foundation, Quinte Healthcare Corporation and other Quinte area healthcare provider.

Transactions with these related parties have been recorded at the exchange amount and include:

- i) During the year, the Foundation transferred \$220,962 to Quinte Health Care from the Priority Medical Equipment Fund as part of the 2014/2015 fiscal commitments.

During the year, the Foundation committed \$937,340 for the purchase of 2015/2016 priority medical and non medical equipment of which \$134,715 was transferred to Quinte Health Care from the Priority Capital Fund.

- ii) During the year, the Foundation transferred \$53,840 towards Medical Day Clinic equipment. An adjustment of \$62,604 was made to clear the Medical Day Clinic equipment commitment.
- iii) During the year, the Foundation transferred \$78,965 to Quinte Health Care from the Priority Capital Fund as part of the 2014/2015 Cystoscopy commitment
- iv) During the year, the Foundation committed \$71,025 from the Kay Stafford Fund, of which \$68,528 was transferred. In addition to the current year commitment, an additional \$5,400 was transferred.

9. INTERFUND TRANSFERS

The Foundation transferred \$1,197,576 from the Priority Medical Equipment Fund to the Commitment Fund.

TRENTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

10. FINANCIAL INSTRUMENTS

The fair values of the Organization's cash, accounts payable, accounts receivable and commitments approximate their carrying amounts due to the immediate and short-term nature of these financial instruments. It is not practicable to determine the fair value of the amounts due to related parties due to the non-arm's length nature of the relationship and that there are no repayment terms. The fair value of their investments presented as long-term assets is market value.

The Organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. It is management's opinion that the organization is not exposed to significant credit risk, liquidity risk or foreign exchange rates risk from these financial instruments.

Market Risk

Market risk is the risk that the fair value or future cash flows to a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate, interest rate risk and price risk. The Foundation is mainly exposed to interest rate risk and price risk on its investment portfolio.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial traded in the market. The Foundation is exposed to price risk through its investment portfolio but has taken steps to mitigate this risk through the adoption of its investment policy as described in Note 2 (d).

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 on its investment portfolio, however management has mitigated this risk by adopting the investment policy described in Note 2 (d) in these financial statements.

**TRENTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

11. CHANGE IN ACCOUNTING POLICY

During the current year, a new Restricted fund was established. A Fund The Future Fund was created as a way to define the donations/gifts the Foundation receives that are unrestricted. Gifts received for the Future Fund will be used at the discretion of the TMHF Board of Directors but to be used to support health care services, health care programs, building redevelopment or equipment that will be used in Quinte West and Brighton. In order to apply this accounting policy change, a restatement of prior years balances was required.

Although the overall fund balance did not change, the individual funds were affected. The prior year opening fund balances changed as follows: Priority Equipment fund (restricted) - decreased \$86,000 and Fund The Future Fund (restricted) - increased \$86,000. The Priority Equipment due to account increased by \$86,000 and the Fund The Future due to account decreased by \$86,000.

12. COMPARATIVE FIGURES

Certain figures for the year ended March 31, 2016 have been reclassified to conform to current year's presentation.