

TRENTON MEMORIAL HOSPITAL FOUNDATION
FINANCIAL STATEMENTS
AS AT MARCH 31, 2019

**TRENTON 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
Trenton Memorial Hospital Foundation

Qualified Opinion

We have audited the financial statements of Trenton Memorial Hospital Foundation (the Foundation), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and changes in fund balances 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 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.

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
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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.

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

TRENTON, Canada
June 12, 2019

Chartered Professional Accountants
Licensed Public Accountants

TRENTON MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019

	<u>Community Healthcare Fund</u>		<u>Restricted Funds</u>		<u>Endowment Funds</u>		<u>Total</u>	
	2019 \$ (000's)	2018 \$	2019 \$ (000's)	2018 \$	2019 \$ (000's)	2018 \$	2019 \$ (000's)	2018 \$
CURRENT ASSETS								
Cash	55	93	474	180	2	-	531	273
Accounts receivable	7	20	7	16	-	-	14	36
Prepaid	12	4	5	5	-	-	17	9
Amounts due from internal funds	8	-	78	68	-	-	86	68
	82	117	564	269	2	-	648	386
TANGIBLE CAPITAL ASSETS - Note 4	68	74	-	-	-	-	68	74
LONG-TERM ASSETS								
Investments - Note 2(b)	2,707	2,842	11,012	9,543	2,815	2,771	16,534	15,156
	2,857	3,033	11,576	9,812	2,817	2,771	17,250	15,616
CURRENT LIABILITIES								
Accounts payable and accrued liabilities	11	18	12	5	-	-	23	23
Amounts due to Quinte Healthcare Corporation - Notes 5 & 8	27	28	2,701	899	-	-	2,728	927
Amounts due to internal funds	-	17	-	-	86	51	86	68
	38	63	2,713	904	86	51	2,837	1,018
FUND BALANCES								
Externally restricted - Notes 6 & 7	-	-	8,863	8,908	2,731	2,720	11,594	11,628
Internally restricted - Note 6	-	3,000	-	-	-	-	-	3,000
Unrestricted	2,819	(30)	-	-	-	-	2,819	(30)
	2,819	2,970	8,863	8,908	2,731	2,720	14,413	14,598
	2,857	3,033	11,576	9,812	2,817	2,771	17,250	15,616

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

The accompanying notes form an integral part of these financial statements

TRENTON MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Community Healthcare Fund</u>		<u>Restricted Funds</u>		<u>Endowment Funds</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$ (000's)	\$	\$ (000's)	\$	\$ (000's)	\$	\$ (000's)	\$
REVENUE								
Investment income - realized	217	223	744	802	9	6	970	1,031
Investment income (loss) - unrealized	(9)	(1)	191	(75)	3	(1)	185	(77)
Special events fundraising	-	-	470	345	-	-	470	345
Donations	13	22	1,351	1,646	-	-	1,364	1,668
Physician recruitment & retention program	79	15	-	-	-	-	79	15
	300	259	2,756	2,718	12	5	3,068	2,982
EXPENSES								
Accounting, audit and legal	21	21	-	-	-	-	21	21
Fundraising expenses	48	66	29	25	-	-	77	91
Investment management fees	15	20	38	35	-	-	53	55
Office	-	-	1	1	-	-	1	1
Physician recruitment & retention program	109	26	-	-	-	-	109	26
Salaries and employee benefits	253	260	-	-	-	-	253	260
Special events fundraising	-	-	81	81	-	-	81	81
	446	393	149	142	-	-	595	535
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE GRANTS	(146)	(134)	2,607	2,576	12	5	2,473	2,447
GRANTS - Note 8								
Quinte Healthcare Corporation	-	1	2,519	(596)	-	-	2,519	(595)
Others	5	3	133	89	1	-	139	92
	5	4	2,652	(507)	1	-	2,658	(503)
EXCESS OF REVENUE OVER EXPENSES & GRANTS FOR THE YEAR (EXCESS OF EXPENSES & GRANTS OVER REVENUE FOR THE YEAR)	(151)	(138)	(45)	3,083	11	5	(185)	2,950
FUND BALANCES - BEGINNING OF YEAR	2,970	3,108	8,908	5,825	2,720	2,715	14,598	11,648
FUND BALANCE - END OF YEAR	2,819	2,970	8,863	8,908	2,731	2,720	14,413	14,598

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, 2019**

	<u>Community Healthcare Fund</u>		<u>Restricted Funds</u>		<u>Endowment Funds</u>		<u>Total</u>	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
OPERATING ACTIVITIES								
Excess of revenue over expenses (excess of expenses over revenue)	(151)	(138)	(45)	3,083	11	5	(185)	2,950
Adjustment for:								
Amortization of tangible capital assets	8	8	-	-	-	-	8	8
Increase (decrease) in accounts payable and accrued liabilities	(7)	6	7	-	-	-	-	6
Decrease (increase) in accounts receivable	13	(13)	9	(7)	-	-	22	(20)
Increase (decrease) in due to Quinte Healthcare Corporation	(1)	6	1,802	(2,687)	-	-	1,801	(2,681)
Increase (decrease) in interfund payables and receivables	(25)	7	(10)	(33)	35	26	-	-
Decrease (increase) in prepaid	(8)	(4)	-	-	-	-	(8)	(4)
Decrease (increase) in investments	133	165	(1,469)	(507)	(44)	(31)	(1,380)	(373)
CASH PROVIDED FROM (USED IN)								
OPERATING ACTIVITIES	(38)	37	294	(151)	2	-	258	(114)
NET INCREASE (DECREASE) IN CASH	(38)	37	294	(151)	2	-	258	(114)
CASH - BEGINNING OF YEAR	93	56	180	331	-	-	273	387
CASH - END OF YEAR	55	93	474	180	2	-	531	273

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, 2019**

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.

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:

(a) 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, 2019**

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

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

(i) 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.

(ii) 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.

(iii) 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.

(b) Investments

Investments are measured at fair value which 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 in Fund Balances for the period.

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 Global stock exchanges, guaranteed investment certificates and investment grade debt.

(c) Translation of Foreign Currencies

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

(d) 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 Funds unless the principal is to be maintained permanently, in which case the contributions are recognized as revenue in the Endowment Funds.

Investment income (loss) on Endowment Fund resources that must be spent on donor restricted activities is recognized in the Restricted Funds. Investment income (loss) subject to donor restrictions stipulating that it be added to the principal amount of the endowment is recognized in the Endowment Funds. 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, 2019**

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

(e) Financial Instruments

(i) Measurement of Financial Instruments

The Foundation 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 receivable.

There are no financial liabilities measured at fair value.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and amounts due to Quinte Healthcare Corporation.

(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 excess revenue over expenses. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in excess (deficiency) of revenue over expenses & grants up to the impairment amount previously recognized.

(f) Grant Recognition

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

(g) Tangible Capital Assets

The Foundation's tangible capital assets are carried at cost. Amortization of tangible 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

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

3. CAPITAL REQUIREMENTS

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

	2019		2018	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
	(000's)	(000's)	(000's)	(000's)
Donor Wall	68	50	68	44
Artwork	48	-	48	-
Computer Equipment	9	7	9	7
	125	57	125	51
Cost less accumulated amortization	\$ 68		\$ 74	

5. COMMITMENTS

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

	Approved	Transfers	Balance
	\$	\$	\$
Priority Medical Equipment - 2018/2019	2,700,000	371,679	2,328,321
Priority Medical Equipment - 2017/2018	1,891,648	1,519,031	372,617

In addition, the Board of Directors approved a commitment in the amount of approximately \$83,000 towards a sculpture at the Trenton Memorial Hospital site, of which \$12,472 is included in prepaid expenses as at March 31, 2019.

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

6. RESTRICTED FUNDS

The Restricted Funds consist of the following:

	2019 \$ (000's)	2018 \$ (000's)
Donor-Restricted Balances		
Restricted for purchase of priority capital equipment for the Trenton Memorial Hospital	3,573	4,051
Restricted Commitment fund	(2,592)	(861)
Restricted for future health care services, programs, and building redevelopment in the Quinte West and Brighton Area specifically	7,882	5,718
	8,863	8,908
Internally Imposed Restrictions		
Restricted by the Board to fund continued operations	-	3,000
	8,863	11,908

During the year, the Board of Directors approved the transfer of the internally imposed restricted funds of \$3 million to the unrestricted fund.

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

7. 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 Endowment Funds also include internal resources transferred by the Board of Directors (the "Board") to the Endowment Funds, with the intention that the principal be maintained intact, but may be drawn down to fund operating activities and grants as required.

	2019 \$ (000's)	2018 \$ (000's)
SO Graham - The Board has been authorized by the donor to determine where the investment income each year is best utilized	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	157	147
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	103	97
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
	2,731	2,715

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

8. RELATED PARTY TRANSACTIONS

Related parties include the Quinte Healthcare Corporation and other Quinte area healthcare providers.

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

- i) During the year, the Foundation made an adjustment of \$33,969 to clear the 2015/2016 commitment.

During the year, the Foundation transferred \$154,345 to Quinte Healthcare from the Commitment Fund as part of the 2016/2017 fiscal commitments. An adjustment of \$164,136 was made to clear the remaining commitment.

During the year, the Foundation transferred \$173,859 to Quinte Healthcare from the Commitment Fund as part of the 2017/2018 fiscal commitments.

During the year, the Foundation committed \$2,700,000 for the purchase of 2018/2019 priority medical and non-medical equipment and transferred \$371,679 from the commitment fund as part of the 2018/2019 fiscal commitments.

- ii) During the year, the Foundation committed \$128,243 from the Kay Stafford Fund, of which \$124,751 was transferred and \$3,492 was adjusted to clear the commitment. In addition to the current year commitment, an additional \$8,387 was transferred.

9. FINANCIAL INSTRUMENTS

The fair values of the Foundation'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 market value of investments are presented as long-term assets.

The Foundation 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 Foundation is not exposed to significant credit risk, liquidity risk or foreign exchange rates risk from these financial instruments.

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

9. FINANCIAL INSTRUMENTS - (Cont'd)

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 risk, interest rate risk and price risk. The Foundation is exposed to all three types of market 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 instruments 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 (b).

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 (b) in these financial statements.

Currency Risk

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

The Foundation enters into foreign currency transactions and has assets that are denominated in foreign currencies and thus are exposed to the financial risk of fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. Management does not believe they represent a significant risk to the Foundation. The Foundation does not currently use derivative instruments to reduce its exposure to foreign currency risk.

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

10. SUBSEQUENT EVENTS

On April 10, 2019, the Board of Directors approved commitments to Quinte Healthcare totalling up to \$1.7 million towards 2019/2020 medical equipment commitments.

11. COMPARATIVE FIGURES

Some of the prior year's figures have been restated to conform with the current year's financial statement presentation. The revenue and expenses associated with the Physician Recruitment Program were previously disclosed under Grants-Other.