

Financial statements of

**The Perley and Rideau Veterans'
Health Centre Foundation**

December 31, 2017

The Perley and Rideau Veterans' Health Centre Foundation

December 31, 2017

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Independent Auditor's Report

To the Directors of
The Perley and Rideau Veterans' Health Centre Foundation

We have audited the accompanying financial statements of The Perley and Rideau Veterans' Health Centre Foundation which comprise the statement of financial position as at December 31, 2017, and the statements of operations and fund balances and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Perley and Rideau Veterans' Health Centre Foundation as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in dark ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.


Chartered Professional Accountants
Licensed Public Accountants
May 16, 2018


The Perley and Rideau Veterans' Health Centre Foundation

Statement of financial position
as at December 31, 2017

	2017	2016
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	765,510	568,432
Accounts receivable	26,264	38,390
	<u>791,774</u>	<u>606,822</u>
Investments (Note 4)	5,433,325	5,357,931
	<u>6,225,099</u>	<u>5,964,753</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	68,833	71,207
Payable to The Perley and Rideau Veterans' Health Centre (Note 3)	126,473	41,077
	<u>195,306</u>	<u>112,284</u>
Fund balances		
Restricted	231,055	365,373
Unrestricted	5,798,738	5,487,096
	<u>6,029,793</u>	<u>5,852,469</u>
	<u>6,225,099</u>	<u>5,964,753</u>

On behalf of the Board


 _____ Director


 _____ Director

The Perley and Rideau Veterans' Health Centre Foundation

Statement of operations and fund balances
year ended December 31, 2017

			2017	2016
	Restricted Fund	Unrestricted Fund	Total	Total
	\$	\$	\$	\$
Revenue				
Donations	490,138	722,410	1,212,548	1,165,650
Capital campaign (Note 6)	30,786	-	30,786	123,591
Investment income	12,300	172,374	184,674	180,195
Realized gains on sale of investments	10,010	123,032	133,042	137,885
Other income	-	1,487	1,487	1,439
	543,234	1,019,303	1,562,537	1,608,760
Expenses				
Fundraising	-	318,735	318,735	276,555
Programs	-	129,367	129,367	135,956
Administrative	-	289,735	289,735	281,242
	-	737,837	737,837	693,753
Excess of revenue over expenses, before the undernoted items	543,234	281,466	824,700	915,007
Change in unrealized gains on investments	135	30,176	30,311	103,594
Donations to The Perley and Rideau Veterans' Health Centre (Note 3)	(677,687)	-	(677,687)	(592,682)
Excess of revenue over expenses	(134,318)	311,642	177,324	425,919
Fund balances, beginning of year	365,373	5,487,096	5,852,469	5,426,550
Fund balances, end of year	231,055	5,798,738	6,029,793	5,852,469

The accompanying notes are an integral part of the financial statements.

The Perley and Rideau Veterans' Health Centre Foundation

Statement of cash flows
year ended December 31, 2017

	2017	2016
	\$	\$
Operating activities		
Excess of revenue over expenses	177,324	425,919
Item not affecting cash		
Change in unrealized gains on investments	(30,311)	(103,594)
Changes in non-cash operating working capital items		
Accounts receivable	12,126	613
Accounts payable and accrued liabilities	(2,374)	6,967
	156,765	329,905
Investing activity		
Net investment activity	(45,083)	(161,899)
Financing activity		
Change in payable to The Perley and Rideau Veterans' Health Centre	85,396	(42,615)
Net increase in cash and cash equivalents	197,078	125,391
Cash and cash equivalents, beginning of year	568,432	443,041
Cash and cash equivalents, end of year	765,510	568,432
Cash and cash equivalents consist of		
Cash	311,047	212,224
Cash equivalents	454,463	356,208
	765,510	568,432

The accompanying notes are an integral part of the financial statements.

The Perley and Rideau Veterans' Health Centre Foundation

Notes to the financial statements

December 31, 2017

1. Nature of organization

The Perley and Rideau Veterans' Health Centre Foundation (the "Foundation") was incorporated without share capital under Part II of the *Canada Corporations Act*. Effective January 1, 2014, the Foundation continued its articles of incorporation under the *Canada Not-for-Profit Corporations Act*. The Foundation is a registered charity under the *Income Tax Act (Canada)*, (Charitable Registration No. 12194 8038 RR 0001).

The mission of the Foundation is to raise funds to help The Perley and Rideau Veterans' Health Centre (the "Centre") achieve its mission: excellence in the health, safety and well-being of seniors and veterans with a focus on innovation in person-centered and frailty-informed care and service.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for profit organizations and include the following significant accounting policies:

Fund accounting

In accordance with the principles of fund accounting, the Foundation maintains its accounting records to ensure that limitations and restrictions placed on the use of available resources are observed. Under this method, all resources are classified for accounting and reporting purposes into funds that are in accordance with specific activities and objectives. Accordingly, separate accounts are maintained for the following funds: Restricted Fund and Unrestricted Fund.

The Restricted Fund accounts for donations for specific purposes as designated by the donor.

The Unrestricted Fund accounts for the operations and administrative activities of the Foundation. This Fund reports unrestricted contributions.

Revenue recognition

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

Restricted contributions are recognized as revenue of the Restricted Fund in the year received.

Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Because of the uncertainty of the collectibility of pledges, the Foundation only recognizes pledges in the year received.

Investment income includes interest income and dividends and is recognized when earned.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit with financial institutions, demand deposits, money market funds and short-term investments with maturities of less than three months at acquisition.

Expenses

In the statement of operations and fund balances, the Foundation presents its expenses by function.

Expenses are recognized in the year incurred and are recorded in the function to which they are directly related. The Foundation does not allocate expenses between functions after initial recognition.

The Perley and Rideau Veterans' Health Centre Foundation

Notes to the financial statements

December 31, 2017

2. Significant accounting policies (continued)

Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost except for cash and cash equivalents and investments, which are measured at fair value.

Investments are measured at fair value without any adjustment for transaction costs it may incur on sale or other disposal. All changes in fair value are recorded in the statement of operations and fund balances.

Contributed materials and services

Volunteers contribute many hours to assist the Foundation in carrying out its service delivery activities. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements. The Foundation records the value of donated materials and services (value-in-kind) when a fair value can be reasonably estimated and when the materials and services would normally be purchased by the Foundation.

Use of estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Estimates are used in determining the fair value of investments and the amount of certain accrued liabilities. Actual results could differ from those estimates.

3. The Perley and Rideau Veterans' Health Centre

The Centre has an economic interest in the Foundation. The Foundation seeks donations for capital expansion, equipment needs, expanded resident programs and research and education. During the year ended December 31, 2017, donations to the Centre were as follows:

	Gifts-in-kind	Cash donations	2017	2016
	\$	\$	\$	\$
Programs and capital expenditures	12,828	664,859	677,687	592,682

The Centre initially pays for the operating expenses of the Foundation and subsequently recovers the amounts paid from the Foundation. During the year, the Centre charged the Foundation for services related to accounting, human resources and information systems as well as occupancy in the amount of \$37,140 (\$34,400 in 2016). As at December 31, 2017, the Foundation owed the Centre \$126,473 (2016 - \$41,077), which were non-interest-bearing and without terms of repayment.

The Perley and Rideau Veterans' Health Centre Foundation

Notes to the financial statements

December 31, 2017

4. Investments

	2017		2016		2016	
	FMV	% of FMV	Cost	FMV	% of FMV	Cost
	\$		\$	\$		\$
Canadian corporate bonds	1,083,809	20	1,098,713	1,159,498	22	1,151,865
Canadian provincial bonds	987,357	18	984,339	992,407	19	966,947
Canadian preferred shares	456,727	9	422,312	395,835	7	409,308
Total fixed income	2,527,893	47	2,505,364	2,547,740	48	2,528,120
Canadian equity	1,216,212	22	876,548	1,268,573	23	901,982
U.S. equity	976,987	18	651,301	964,216	18	611,478
Global equity	712,233	13	517,524	577,402	11	464,074
Total equity	2,905,432	53	2,045,373	2,810,191	52	1,977,534
	5,433,325	100	4,550,737	5,357,931	100	4,505,654

Bonds are bearing interest at rates varying from 2.1% to 8.5% (from 2.1% to 8.5% in 2016) with maturities ranging from September 8, 2018 to June 1, 2027 (from January 11, 2017 to December 2, 2025, in 2016).

Included in the Foundation's investments are investments that have been made with restricted donations. Restricted investments consist of:

	2017		2016		2016	
	FMV	% of FMV	Cost	FMV	% of FMV	Cost
	\$		\$	\$		\$
Canadian corporate bonds	66,221	25	65,771	93,112	29	93,047
Canadian provincial bonds	38,029	14	38,540	39,125	12	38,540
Canadian preferred shares	30,693	11	33,818	28,904	9	37,551
Total fixed income	134,943	50	138,129	161,141	50	169,138
Canadian equity	67,828	26	56,426	88,675	27	75,018
U.S. equity	40,806	15	27,393	48,425	15	30,945
Global equity	23,758	9	17,255	26,183	8	21,326
Total equity	132,392	50	101,074	163,283	50	127,289
	267,335	100	239,203	324,424	100	296,427

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$488 (nil in 2016), which include amounts payable for harmonized sales tax, employer health tax and payroll-related remittances.

The Perley and Rideau Veterans' Health Centre Foundation

Notes to the financial statements

December 31, 2017

6. Capital campaign

In 2011, the Foundation started soliciting donations for a building capital campaign in order to raise funds for costs associated with two new seniors' buildings. Donations to the capital campaign received, net of related fundraising expenses, are as follows:

	Received during the year (net)	Received in prior years (net)	Received cumulative to date (net)	Outstanding pledges as at December 31, 2017	2017 Total	2016 Total
	\$	\$	\$	\$	\$	\$
Capital campaign	30,786	2,969,037	2,999,823	22,300	3,022,123	3,023,106

7. Financial instruments and risk management

Risks arising from financial instruments:

The Foundation is exposed to interest rate, credit, foreign currency and other market risks from its investment portfolio.

Interest rate risk refers to the adverse consequences of interest rate changes. The Foundation has investments in bonds with fixed rates, which are subject to this risk. The value of fixed rate instruments will generally rise if interest rates fall and fall if interest rates rise.

Credit risk is the risk of financial loss if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Foundation's investments in bonds.

Foreign currency risk refers to the extent to which instruments denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to other currencies. The Foundation's exposure to foreign currency risk arises from its holdings of non-Canadian financial instruments. At year-end, the Foundation held U.S. dollar and other foreign denominated investments for a total amount of \$1,689,247 (\$1,587,991 in 2016).

Market volatility risk is generally inherent in the Foundation's investment portfolio and refers to the extent that the fair value or future cash flows from financial instruments will fluctuate because of changes in various other market factors affecting equity prices, including general economic conditions.

The Foundation mitigates the above-noted risks through the use of investment policies and managers, whose objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

