



FINANCIAL STATEMENTS

MARCH 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Windsor/Essex Hospitals Foundation

We have audited the accompanying financial statements of Windsor/Essex Hospitals Foundation, which comprise the statement of financial position as at March 31, 2015, the statements of operations and changes in fund balances and cash flows for the eleven months ended March 31, 2015, and notes, comprising 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 controls as management determines is necessary to enable the preparation of the 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 an 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 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 qualified audit opinion.

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Basis for Qualified Opinion

In common with many charitable organizations, Windsor/Essex Hospitals Foundation derives revenue from donations and various fund raising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Windsor/Essex Hospitals Foundation and we were not able to determine whether any adjustments might be necessary to revenue from donations and various fund raising events, and excess of revenue over expenses, 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, the financial statements present fairly, in all material respects, the financial position of Windsor/Essex Hospitals Foundation as at March 31, 2015, and its results of operations and its cash flows for the period then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 9, 2015
Windsor, Canada

WINDSOR/ESSEX HOSPITALS FOUNDATION

(Incorporated without share capital under the laws of Ontario)

Statement 1

STATEMENT OF FINANCIAL POSITION

March 31, 2015
 (amounts stated in 000's)
 (with comparative amounts to May 1, 2014)

	General Fund	Restricted Funds	Johnson Endowment Fund	Ozad Fund	Glengarda Legacy Fund	March 31, 2015 Total	May 1, 2014 Total
ASSETS							
Interest bearing deposits (Note 6)	\$ 2,654	\$ 3,275	\$ 48	\$ 7	\$ 148	\$ 6,132	\$ 6,701
Accrued interest and other receivables	62	48	-	-	-	110	228
Prepaid expenses	67	-	-	-	-	67	53
Investments (Note 4)	6,281	7,373	-	569	-	14,223	13,169
	9,064	10,696	48	576	148	20,532	20,151
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accrued liabilities	53	66	-	-	-	119	129
Due to Windsor Regional Hospital (Note 3)	234	831	-	-	-	1,065	1,358
Due to Hôtel-Dieu Grace Healthcare (Note 3)	373	-	-	-	-	373	894
Deferred revenue (Note 5)	-	71	-	-	-	71	56
Fund balances:	660	968	-	-	-	1,628	2,437
Unrestricted net assets	8,404	-	-	-	-	8,404	8,111
Restricted net assets	-	9,728	48	576	148	10,500	9,603
	8,404	9,728	48	576	148	18,904	17,714
Commitments	-	-	-	-	-	-	-
	9,064	10,696	48	576	148	20,532	20,151

See accompanying notes to financial statements

On behalf of the Board:



Ilias Kiritsis
 Chairperson



John Comisso
 Treasurer

WINDSOR/ESSEX HOSPITALS FOUNDATION

(Incorporated without share capital under the laws of Ontario)

Statement 2

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCESFor the eleven months ended March 31, 2015
(amounts stated in 000's)

	General Fund 2015	Restricted Funds 2015	Johnson Endowment Fund 2015	Ozad Fund 2015	Glengarda Legacy Fund 2015	Total 2015
REVENUE						
Donations	\$ 448	\$ 947	\$ 17	\$ 11	\$ -	\$ 1,423
Other income	-	1,245	-	-	-	1,245
Investment income	612	521	-	42	2	1,177
	1,060	2,713	17	53	2	3,845
EXPENSES						
Salaries and benefits	230	104	-	-	-	334
Other supplies and expenses	302	137	-	-	-	439
Investment management fees	38	29	-	3	-	70
Donations to Hospitals (Note 3)	98	1,540	-	19	-	1,657
Unrealized loss on investments	99	53	-	3	-	155
	767	1,863	-	25	-	2,655
Excess of revenue over expenses	293	850	17	28	2	1,190
Fund balances, May 1, 2014	8,111	8,878	31	548	146	17,714
Fund balances, end of year	\$ 8,404	\$ 9,728	\$ 48	\$ 576	\$ 148	\$ 18,904

See accompanying notes to financial statements

STATEMENT OF CASH FLOWS

For the eleven months ended March 31, 2015
(amounts stated in 000's)

March 31, 2015

CASH FLOW FROM (USED IN) OPERATING ACTIVITIES

Excess of revenue over expenses	\$ 1,190
Add item not involving cash:	
Unrealized loss on investments	155

1,345

CASH FROM CHANGE IN OPERATING BALANCES

109

CASH FLOW FROM (USED FOR) INVESTING AND FINANCING ACTIVITIES

Due to Hôtel-Dieu Grace Healthcare, net	(521)
Due to Windsor Regional Hospital, net	(293)
Investments, net of transfers to/from interest bearing deposits	(1,209)

(2,023)

Decrease in interest bearing deposits during the year

(569)

Interest bearing deposits, May 1, 2014

6,701

Interest bearing deposits, end of year

\$ 6,132

See accompanying notes to financial statements

WINDSOR/ESSEX HOSPITALS FOUNDATION

Notes to Financial Statements

ELEVEN MONTHS ENDED MARCH 31, 2015

1. Nature of Foundation:

On May 1, 2014, Windsor Regional Hospital Foundation and Hôtel-Dieu Grace Hospital Foundation merged and began to carry on business as Windsor/Essex Hospitals Foundation. The Foundation is a registered charity incorporated in the Province of Ontario without share capital and is classified as a public foundation under Section 149.1(1)(g) of the Income Tax Act (Canada) and as such, is exempt from income tax.

The objects of the merged Foundation include:

- a) To receive and maintain a fund or funds and to apply from time to time all or part of the principal and the income therefrom for charitable purposes carried on by, in connection with, in relation to, for the benefit of or to enhance or improve services provided by or the facilities of Hôtel-Dieu Grace Healthcare and Windsor Regional Hospital (the "Hospitals") or for any other charitable organization or charitable organizations operating in conjunction with or with a view to benefiting either of the Hospitals or their clients or patients, and/or for such other purposes as the Board may deem to be in the best interest of the Hospitals.
- b) To establish, equip, maintain and operate facilities for the benefit of the Hospitals.
- c) To promote the advancement of education by providing scholarships and tuition assistance to individuals pursuing continuing studies and research in the field of healthcare.
- d) To do such activities that are incidental and ancillary to the foregoing objects including, without limitation, activities in conjunction with or with a view to benefiting the Hospitals or in respect of joint initiatives with any other charitable organization or Foundation (including other hospitals or universities) which the Amalgamated Corporation determines to be for the benefit of the Hospitals.

The Foundation Board, at a May 4, 2015 meeting, passed a resolution to amend its constituting documents and operational guidelines and procedures in order to cease to be formally associated with Hôtel-Dieu Grace Healthcare and to divest itself of any of the appropriate net assets being held associated with the program and services being managed by Hôtel-Dieu Grace Healthcare.

WINDSOR/ESSEX HOSPITALS FOUNDATION

Notes to Financial Statements

ELEVEN MONTHS ENDED MARCH 31, 2015

2. Significant accounting policies:

The financial statements of the Foundation have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CICA Handbook. 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 uses 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 of Directors.

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

i) General Fund

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

ii) Restricted Funds

The Restricted Funds reports, as revenues, resources that are to be used for specific purposes as specified by the donor and as expenses, the use of these resources for the specified purposes. Included within these funds are the unspent Bingo and Lottery accounts, which must be used for the specific purposes as stated on their related licenses.

iii) OZAD Fund

The Ozad Fund reports resources used to cover the operating costs of the Joseph Ozad Applied Research Institute for Developmental Disabilities.

WINDSOR/ESSEX HOSPITALS FOUNDATION

Notes to Financial Statements

ELEVEN MONTHS ENDED MARCH 31, 2015

2. Significant accounting policies: (Cont'd)

iv) Johnson Endowment Fund

The income earned in "The Daniel William Johnson Memorial Education Fund Endowment" is to be used for the purposes of providing pain management education to the staff of Windsor Regional Hospital Oncology Unit. In addition, two staff will be acknowledged on an annual basis for their outstanding effort in the area of pain management in the delivery of care to patients.

v) Glengarda Legacy Fund

The Glengarda Legacy Fund allows for the spending of up to \$4,000 per year for the benefit of children aged 6 to 12 years old who are recipients of children's mental health services at Windsor Regional Hospital or its successors thereof. The annual payments should be for the purchase of toys, books, technology for children, tutoring, clothes, shoes, backpacks, camps and excursions for children provided such items are not funded by the Province of Ontario.

b) Interest bearing deposits

Interest bearing deposits include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

Investment income earned on the Ozad Fund, Restricted Funds, Johnson Endowment Fund or Glengarda Legacy Fund is recognized as revenue within these specific funds.

c) Contributed services

A substantial number of volunteers contribute a significant amount of their time each year for the benefit of the Foundation. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

d) Use of estimates

The preparation of the financial statements 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant estimates include the valuation of financial instruments. Actual results could differ from those estimates.

WINDSOR/ESSEX HOSPITALS FOUNDATION

Notes to Financial Statements

ELEVEN MONTHS ENDED MARCH 31, 2015

2. Significant accounting policies: (Cont'd)

e) Revenue Recognition

Contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred, provided the amount to be received or receivable, can be reasonably estimated and collection is reasonably assured. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Investment income is recognized as earned and allocated proportionately to the various funds. Unrealized gains or losses on investments are allocated in a similar manner.

f) Financial Instruments

The Foundation has recorded its financial investments at fair value. For bonds and equities, fair value is determined by quoted market prices and the change in market value is presented as an increase (decrease) to the investment and as an unrealized gain (loss) on the investments. All other financial instruments are subsequently recorded at cost or amortized cost as the Foundation has not elected to carry such financial instruments at fair value.

g) Allocation of Expenses

Expenses, which include salaries, benefits and other supplies and expenses (including general fundraising expenses) incurred specifically for a fundraising initiative are applied against the revenues received from that initiative. Expenses incurred by the Foundation not specifically identified to a particular fundraising initiative will be first charged to the general fund up to the level of the unspecified donations received in that particular year and then to the rest of the restricted funds on a pro-rata basis.

Investment management fees are allocated proportionately to the various funds based on the percentage of investment income allocated to that fund for the fiscal year.

Donation expenses to the Hospitals are specifically assigned to the fund to which they relate.

WINDSOR/ESSEX HOSPITALS FOUNDATION

Notes to Financial Statements

ELEVEN MONTHS ENDED MARCH 31, 2015

3. Related party transactions:

The receipt and disbursement of Foundation funds is administered by the Hospital. In 2015, the Foundation donated \$1,657,000 towards the costs incurred by the Hospitals for capital improvements, the employee tuition assistance program and the operating costs of the Joseph Ozad Applied Research Institute for Developmental Disabilities. Any balance owing to the Hospital for the payment of the above donations, net of the reimbursement of operating costs of the Foundation, is recorded as due to Windsor Regional Hospital and Hôtel-Dieu Grace Healthcare on the statement of financial position and are settled as mutually agreed upon in the next fiscal year.

WINDSOR/ESSEX HOSPITALS FOUNDATION

Notes to Financial Statements

ELEVEN MONTHS ENDED MARCH 31, 2015

4. Investments:

The Foundation has placed a portion of its assets with a professional investment manager. These externally managed funds are comprised of the following expressed in 000's:

(Amounts in 000's)						
March 31, 2015				May 1, 2014		
	Market Value	Cost	Allocation at Market Value	Permissible Range	Market Value	Cost
<u>Short term fund</u>						
Cash equivalents	\$ 169	\$ 169	100%	20 – 80%	\$ 169	\$ 169
Domestic bonds	—	—		20 – 80%	—	—
Total	<u>\$ 169</u>	<u>\$ 169</u>			<u>\$ 169</u>	<u>\$ 169</u>
<u>Long term fund</u>						
Cash equivalents	\$ 1,666	\$ 1,666	4.8%	0 – 15%	\$ 632	\$ 632
Domestic bonds	4,124	4,017	30.9%	25 – 55%	4,033	3,997
Domestic equities	4,961	4,098	32.2%	18 – 60%	4,179	3,421
Global equities	<u>3,303</u>	<u>2,660</u>	32.1%	5 – 35%	<u>4,156</u>	<u>3,182</u>
Total	<u>\$14,054</u>	<u>\$12,441</u>			<u>\$13,000</u>	<u>\$11,232</u>
Total investments	<u>\$14,223</u>	<u>\$12,610</u>			<u>\$13,169</u>	<u>\$11,401</u>

WINDSOR/ESSEX HOSPITALS FOUNDATION

Notes to Financial Statements

ELEVEN MONTHS ENDED MARCH 31, 2015

5. Deferred revenue and bingo and lottery bank account activity:

Included in the restricted fund's interest bearing deposits are the following accounts:

	(000's)		
	<u>Bingo Account</u>	<u>Nevada</u>	<u>Total</u>
Bank balance/deferred revenue – May 1, 2014	\$ 36	\$ 20	\$ 56
Interest income	-	-	-
Proceeds received, net	15	22	37
License fees and ticket supply costs	-	(9)	(9)
Equipment purchased on behalf of Hospital	<u>-</u>	<u>(13)</u>	<u>(13)</u>
Bank balance/deferred revenue – March 31, 2015	<u>\$ 51</u>	<u>\$ 20</u>	<u>\$ 71</u>

The deferred revenue reported in the Restricted Fund on the statement of financial position represents restricted net proceeds from Bingo and Nevada sales raised during the year, but not yet used to purchase equipment on behalf of the Hospital.

Included in other income (Restricted Fund) on the statement of operations and changes in fund balances is revenue recognized from Bingo and Nevada proceeds.

WINDSOR/ESSEX HOSPITALS FOUNDATION

Notes to Financial Statements

ELEVEN MONTHS ENDED MARCH 31, 2015

6. Donation pledges:

As at March 31, 2015, an amount of \$1,419,000 (May 1, 2014 - \$2,220,000) has been pledged as future donations to the Foundation. These pledges will be recorded as donation revenue as they are received. The anticipated collection of these amounts is as follows:

2016	\$ 684,000
2017	308,000
2018	125,000
2019	112,000
2020 and beyond	<u>190,000</u>
Total	<u>\$1,419,000</u>

In addition to these pledges, the Foundation promotes "Planned Giving" through the use of bequests and gifts of life insurance. Due to the nature of these pledges, the ultimate amount and timing of its receipts is not determinable at this time and is not included in the above pledge balance.

7. Foundation expenses:

The Foundation endeavors to maximize the funds available for investment and donation to the Hospital by minimizing its cost of fundraising and its cost to manage its assets in support of its charitable objects. Its costs as a percentage of revenue are as follows:

	<u>2015</u>	<u>Target</u>
Ratio of fundraising expenses to fundraising revenue	22.8%	less than 20%
Ratio of total expenses to total revenue	21.9%	less than 25%

For purposes of the above calculations, donations to the Hospital and unrealized gains or losses on investments are excluded.

WINDSOR/ESSEX HOSPITALS FOUNDATION

Notes to Financial Statements

ELEVEN MONTHS ENDED MARCH 31, 2015

8. Financial risks:

a) Liquidity risk

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations.

b) Interest rate and market value risk

The Foundation is exposed to interest rate risk and fluctuating market value risk on its investments. The investments most susceptible to this risk are described in Note 4.