
Financial statements of
The Perley and Rideau
Veterans' Health Centre
Foundation

December 31, 2018

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of operations and fund balances.....	4
Statement of cash flows	5
Notes to the financial statements	6-9

Independent Auditor's Report

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

Opinion

We have audited the financial statements of The Perley and Rideau Veterans' Health Centre Foundation, which comprise the statement of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Perley and Rideau Veterans' Health Centre Foundation as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Perley and Rideau Veterans' Health Centre 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 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 the financial statements, management is responsible for The Perley and Rideau Veterans' Health Centre Foundation 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 Perley and Rideau Veterans' Health Centre Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The Perley and Rideau Veterans' Health Centre Foundation financial reporting process.

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 GAAS 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 GAAS, 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 Perley and Rideau Veterans' Health Centre Foundation 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 Perley and Rideau Veterans' Health Centre Foundation 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 Perley and Rideau Veterans' Health Centre Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.



Chartered Professional Accountants
Licensed Public Accountants

May 15, 2019

The Perley and Rideau Veterans' Health Centre Foundation



Statement of financial position

As at December 31, 2018

	Notes	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents		1,078,054	765,510
Accounts receivable		39,669	26,264
		1,117,723	791,774
Due from The Perley and Rideau Veterans' Health Centre	3	2,508	-
Investments	4	6,812,385	5,433,325
		7,932,616	6,225,099
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities Due to The Perley and Rideau Veterans' Health Centre	5	76,209	68,833
	3	-	126,473
		76,209	195,306
Fund balances			
Restricted		191,958	231,055
Unrestricted		7,664,449	5,798,738
		7,856,407	6,029,793
		7,932,616	6,225,099

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

Approved by the Board


 _____, Director

 _____, Director

The Perley and Rideau Veterans' Health Centre Foundation
Statement of operations and fund balances

Year ended December 31, 2018

	Notes	Restricted Fund \$	Unrestricted Fund \$	2018 Total \$	2017 Total \$
Revenue					
Donations		549,663	2,785,072	3,334,735	1,212,548
Capital campaign	6	417,320	-	417,320	30,786
Investment income		10,498	193,589	204,087	184,674
Realized gains on sale of investments		11,723	54,880	66,603	133,042
Other income		-	1,673	1,673	1,487
		989,204	3,035,214	4,024,418	1,562,537
Expenses					
Fundraising		-	373,164	373,164	318,735
Programs		-	100,284	100,284	129,367
Administrative		-	284,425	284,425	289,735
		-	757,873	757,873	737,837
Excess of revenue over expenses, before the undernoted items		989,204	2,277,341	3,266,545	824,700
Change in unrealized gains on investments		(24,817)	(411,630)	(436,447)	30,311
Donations to The Perley and Rideau Veterans' Health Centre	3	(1,003,484)	-	(1,003,484)	(677,687)
Excess of revenue over expenses		(39,097)	1,865,711	1,826,614	177,324
Fund balances, beginning of year		231,055	5,798,738	6,029,793	5,852,469
Fund balances, end of year		191,958	7,664,449	7,856,407	6,029,793

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

The Perley and Rideau Veterans' Health Centre Foundation

Statement of cash flows

year ended December 31, 2018

	2018	2017
	\$	\$
Operating activities		
Excess of revenue over expenses	1,826,614	177,324
Item not affecting cash		
Change in unrealized gains on investments	436,447	(30,311)
Changes in non-cash operating working capital items		
Accounts receivable	(13,405)	12,126
Accounts payable and accrued liabilities	7,376	(2,374)
	2,257,032	156,765
Investing activity		
Net investment activity	(1,815,507)	(45,083)
Financing activity		
Change in payable to The Perley and Rideau Veterans' Health Centre	(128,981)	85,396
Net increase in cash and cash equivalents	312,544	197,078
Cash and cash equivalents, beginning of year	765,510	568,432
Cash and cash equivalents, end of year	1,078,054	765,510
Cash and cash equivalents consist of		
Cash	518,805	311,047
Cash equivalents	559,249	454,463
	1,078,054	765,510

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

The Perley and Rideau Veterans' Health Centre Foundation

Notes to the financial statements

December 31, 2018

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, 2018

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, 2018, donations to the Centre were as follows:

	Gifts-in-kind	Cash	2018	2017
	\$	donations	\$	\$
Programs and capital expenditures	2,904	1,000,580	1,003,484	677,687

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 \$37,884 (\$37,140 in 2017). As at December 31, 2018, the Centre owed the Foundation \$2,508 for overpayment (\$126,473 was owed by the Foundation to the Centre in 2017), which was non-interest-bearing and without terms of repayment.

The Perley and Rideau Veterans' Health Centre Foundation

Notes to the financial statements

December 31, 2018

4. Investments

	FMV	% of FMV	2018 Cost	FMV	% of FMV	2017 Cost
	\$		\$	\$		\$
Canadian corporate bonds	1,156,815	17	1,174,260	1,083,809	20	1,098,713
Canadian provincial bonds	1,478,217	22	1,484,867	987,357	18	984,339
Canadian preferred shares	667,311	10	745,664	456,727	9	422,312
Total fixed income	3,302,343	48	3,404,791	2,527,893	47	2,505,364
Canadian equity	1,408,930	21	1,277,677	1,216,212	22	876,548
U.S. equity	1,185,058	17	919,980	976,987	18	651,301
Global equity	916,054	13	763,796	712,233	13	517,524
Total equity	3,510,042	52	2,961,453	2,905,432	53	2,045,373
	6,812,385	100	6,366,244	5,433,325	100	4,550,737

Bonds are bearing interest at rates varying from 2.1% to 8.5% (from 2.1% to 8.5% in 2017) with maturities ranging from April 9, 2019 to December 18, 2028 (from September 8, 2018 to June 1, 2027, in 2017).

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

	FMV	% of FMV	2018 Cost	FMV	% of FMV	2017 Cost
	\$		\$	\$		\$
Canadian corporate bonds	65,410	32	65,932	66,221	25	65,771
Canadian provincial bonds	27,304	13	28,670	38,029	14	38,540
Canadian preferred shares	22,069	11	28,695	30,693	11	33,818
Total fixed income	114,783	56	123,297	134,943	50	138,129
Canadian equity	44,569	22	44,404	67,828	26	56,426
U.S. equity	27,823	14	20,240	40,806	15	27,393
Global equity	18,182	9	14,101	23,758	9	17,255
Total equity	90,574	44	78,745	132,392	50	101,074
	205,357	100	202,042	267,335	100	239,203

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$884 (\$488 in 2017), 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, 2018

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. In 2018, the Foundation began a new capital campaign to raise funds for costs associated with the Centre's Village Expansion, Centre of Excellence and Clinic projects. Donations to the capital campaign received, net of related fundraising expenses, are as follows:

Capital campaign	Received during the year (net)	Received in prior years (net)	Received cumulative to date (net)	Outstanding pledges as at December 31, 2018	2018 Total	2017 Total
	\$	\$	\$	\$	\$	\$
2011	11,000	2,999,823	3,010,823	11,000	3,021,823	3,022,123
2018	406,320	-	406,320	-	406,320	-
	417,320	2,999,823	3,417,143	11,000	3,428,143	3,022,123

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. dollars and other foreign denominated investments for a total amount of \$2,101,112 (\$1,689,247 in 2017).

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.