

Financial statements of

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

December 31, 2016

The Perley and Rideau Veterans' Health Centre Foundation

December 31, 2016

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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, 2016, 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, 2016 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

May 17, 2017

The Perley and Rideau Veterans' Health Centre Foundation

Statement of financial position
as at December 31, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	568,432	443,041
Amounts receivable	38,390	39,003
	606,822	482,044
Investments (Note 4)	5,357,931	5,092,438
	5,964,753	5,574,482
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	71,207	64,240
Payable to The Perley and Rideau Veterans' Health Centre (Note 3)	41,077	83,692
	112,284	147,932
Fund balances		
Restricted	365,373	469,789
Unrestricted	5,487,096	4,956,761
	5,852,469	5,426,550
	5,964,753	5,574,482

On behalf of the Board

 Director

 Director

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

The Perley and Rideau Veterans' Health Centre Foundation

Statement of operations and fund balances
year ended December 31, 2016

			2016	2015
	Restricted fund	Unrestricted fund	Total	Total
	\$	\$	\$	\$
Revenue				
Donations	338,660	826,990	1,165,650	1,225,675
Capital campaign (Note 6)	123,591	-	123,591	376,190
Investment income	10,439	169,756	180,195	169,759
Realized gains on sale of investments	3,730	134,155	137,885	12,979
Other income	-	1,439	1,439	1,391
	476,420	1,132,340	1,608,760	1,785,994
Expenses				
Fundraising	-	276,555	276,555	308,311
Programs	-	135,956	135,956	140,219
Administrative	-	281,242	281,242	251,845
	-	693,753	693,753	700,375
Excess of revenue over expenses, before the undernoted items	476,420	438,587	915,007	1,085,619
Change in unrealized gains and losses on investments	11,846	91,748	103,594	45,755
Donations to				
The Perley and Rideau Veterans' Health Centre (Note 3)	(592,682)	-	(592,682)	(762,072)
McDermott House Donation	-	-	-	(36,674)
Excess (deficiency) of revenue over expenses	(104,416)	530,335	425,919	332,628
Fund balances, beginning of year	469,789	4,956,761	5,426,550	5,093,922
Fund balances, end of year	365,373	5,487,096	5,852,469	5,426,550

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

The Perley and Rideau Veterans' Health Centre Foundation

Statement of cash flows
year ended December 31, 2016

	2016	2015
	\$	\$
Operating activities		
Excess of revenue over expenses	425,919	332,628
Item not affecting cash		
Change in unrealized gains and losses on investments	(103,594)	(45,755)
Changes in non-cash operating working capital items		
Amounts receivable	613	2,226
Accounts payable and accrued liabilities	6,967	(8,229)
	329,905	280,870
Investing activity		
Net investment activity	(161,899)	(343,403)
Financing activity		
Change in due to/due from The Perley and Rideau Veterans' Health Centre	(42,615)	88,930
Net increase in cash and cash equivalents	125,391	26,397
Cash and cash equivalents, beginning of year	443,041	416,644
Cash and cash equivalents, end of year	568,432	443,041
Cash and cash equivalents consist of		
Cash	212,224	145,916
Cash equivalents	356,208	297,125
	568,432	443,041

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

The Perley and Rideau Veterans' Health Centre Foundation

Notes to the financial statements
December 31, 2016

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 their 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 organize and manage a comprehensive resource development program, which seeks supplementary revenue for capital expansion, equipment needs, expanded resident programs and research and education for The Perley and Rideau Veterans' Health Centre (the "Centre").

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, 2016

2. Significant accounting policies (continued)

Financial instruments

The Foundation initially measures its financial assets and liabilities at fair value. The Foundation subsequently measures all its financial assets and 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 revenue and expenses.

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, 2016, donations to the Centre were as follows:

	Gifts-in-kind	Cash donations	2016	2015
	\$	\$	\$	\$
Programs and capital expenditures	7,829	584,853	592,682	438,072
Seniors housing	-	-	-	324,000
	7,829	584,853	592,682	762,072

The Centre initially pays for the operating expenses of the Foundation but does charge them back to 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 \$34,400 (2015 - \$32,240). As at December 31, 2016, the Foundation owed the Centre \$41,077 (2015 - owed the Centre \$83,692), 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, 2016

4. Investments

	2016		2015			
	FMV	% of FMV	Cost	FMV	% of FMV	Cost
	\$		\$	\$		\$
Canadian corporate bonds	1,159,498	22	1,151,865	1,263,928	25	1,252,064
Canadian provincial bonds	992,407	19	966,947	1,056,351	21	1,015,454
Canadian preferred shares	395,835	7	409,308	228,521	4	253,254
Total fixed income	2,547,740	48	2,528,120	2,548,800	50	2,520,772
Canadian equity	1,268,573	23	901,982	1,087,633	21	891,303
U.S. equity	964,216	18	611,478	893,933	18	534,891
Global equity	577,402	11	464,074	562,072	11	396,789
Total equity	2,810,191	52	1,977,534	2,543,638	50	1,822,983
	5,357,931	100	4,505,654	5,092,438	100	4,343,755

Bonds are bearing interest at rates varying from 2.1% to 8.5% (2015 - from 2.1% to 8.5%) with maturities ranging from January 11, 2017 to December 2, 2025 (2015 - from February 22, 2016 to December 2, 2025).

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

	2016		2015			
	FMV	% of FMV	Cost	FMV	% of FMV	Cost
	\$		\$	\$		\$
Canadian corporate bonds	93,112	29	93,047	93,089	28	93,955
Canadian provincial bonds	39,125	12	38,540	50,023	15	49,447
Canadian preferred shares	28,904	9	37,551	29,286	9	37,551
Total fixed income	161,141	50	169,138	172,398	52	180,953
Canadian equity	88,675	27	75,018	75,267	22	77,850
U.S. equity	48,425	15	30,945	53,178	16	33,801
Global equity	26,183	8	21,326	33,148	10	25,236
Total equity	163,283	50	127,289	161,593	48	136,887
	324,424	100	296,427	333,991	100	317,840

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$Nil (2015 - \$144), 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, 2016

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, 2016	2016 Total	2015 Total
	\$	\$	\$	\$	\$	\$
Capital campaign	123,591	2,845,446	2,969,037	54,069	3,023,106	3,020,717

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 \$1,587,991 (2015 - \$1,456,005).

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 risk 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.