
Financial statements of Perley Health Foundation

December 31, 2022

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Independent Auditor's Report

Opinion

We have audited the financial statements of Perley Health Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and fund balances, 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 Foundation as at December 31, 2022, 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 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 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.

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 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.
- 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.

Deloitte LLP


Chartered Professional Accountants
Licensed Public Accountants
May 17, 2023


Perley Health Foundation
Statement of financial position
As at December 31, 2022

	Notes	2022	2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,197,399	3,135,545
Accounts receivable	3	18,563	40,703
Prepaid Expenses		—	9,564
		1,215,962	3,185,812
Investments	4	10,295,559	8,141,312
		11,511,521	11,327,124
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	59,703	48,543
Payable to Perley Health	3	435,166	3,479
		494,869	52,022
Fund balances			
Restricted		1,577,072	1,343,550
Unrestricted		9,439,580	9,931,552
		11,016,652	11,275,102
		11,511,521	11,327,124

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

Approved by the Board


_____, Director.


_____, Director.

Perley Health Foundation
Statement of operations and fund balances
Year ended December 31, 2022

	Notes	Restricted Fund \$	Unrestricted Fund \$	2022 Total \$	2021 Total \$
Revenue					
Donations		424,682	433,523	858,205	550,114
Capital campaign	6	1,310,057	254,229	1,564,286	3,844,743
Investment income		—	303,933	303,933	226,718
Realized gains on sale of investments		—	165,177	165,177	423,646
Other income		—	2,391	2,391	28,925
		1,734,739	1,159,253	2,893,992	5,074,146
Expenses					
Fundraising		—	555,812	555,812	552,959
Programs		—	113,974	113,974	118,713
Administrative		—	325,410	325,410	292,057
		—	995,196	995,196	963,729
Excess of revenue over expenses, before the undernoted items		1,734,739	164,057	1,898,796	4,110,417
Change in unrealized gains and losses on investments		12,807	(656,029)	(643,222)	437,391
Donations to Perley Health	3	(1,514,024)	—	(1,514,024)	(1,623,880)
(Deficiency) excess of revenue over expenses		233,522	(491,972)	(258,450)	2,923,928
Fund balances, beginning of year		1,343,550	9,931,552	11,275,102	8,351,174
Fund balances, end of year		1,577,072	9,439,580	11,016,652	11,275,102

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

Perley Health Foundation
Statement of cash flows
Year ended December 31, 2022

	2022	2021
	\$	\$
Operating activities		
Deficiency (excess) of revenue over expenses	(258,450)	2,923,928
Item not affecting cash		
Change in unrealized gains and losses on investments	643,222	(437,391)
Changes in non-cash operating working capital items		
Accounts receivable	22,140	57,162
Prepaid Expenses	9,564	(9,564)
Accounts payable and accrued liabilities	11,160	(230)
	427,636	2,533,905
Investing activity		
Net investment activity	(2,797,469)	(442,188)
Financing activity		
Change in payable to Perley Health	431,687	41,898
Net (decrease) increase in cash and cash equivalents	(1,938,146)	2,133,615
Cash and cash equivalents, beginning of year	3,135,545	1,001,930
Cash and cash equivalents, end of year	1,197,399	3,135,545
Cash and cash equivalents consist of		
Cash	786,145	2,618,552
Cash equivalents	411,254	516,993
	1,197,399	3,135,545

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

1. Nature of organization

The Perley and Rideau Veterans' Health Centre Foundation / La Fondation du Centre de santé Perley et Rideau pour anciens combattants is operating as Perley Health Foundation (the "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 Perley Health (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. Accounting policies

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

Adoption of the amendments to Section 3856, Financial Instruments, for financial instruments originated or exchanged in a related party transaction

Effective January 1, 2021, the Foundation has adopted the amendments to Handbook Section 3856, Financial Instruments ("Section 3856") related to the recognition of financial instruments originated or exchanged in a related party transaction, referred to herein as the "related party financial instruments amendments".

These amendments to Section 3856 establish new guidance for determining the measurement of a related party financial instrument. The related party financial instruments amendments require that such a financial instrument be initially measured at cost, which is determined based on whether the instrument has repayment terms. If the instrument has repayment terms, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any reduction for impairment. Otherwise, the cost is determined using the consideration transferred or received by the Foundation in the transaction. Subsequent measurement is based on how the instrument was initially measured.

The Foundation has applied the related party financial instruments amendments in accordance with the transition provisions of Section 3856. The amendments should be applied retrospectively. When related party financial instruments exist at the date these amendments are applied for the first time, the cost of an instrument that has repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment as at the beginning of the earliest comparative period. The cost of an instrument that does not have repayment terms is deemed to be its carrying amount in the Foundation's financial statements, less any impairment, as at the same date. The fair value of an instrument that is an investment in shares quoted in an active market is determined as at the same date.

When related party financial instruments do not exist at the date these amendments are applied for the first time, transition relief was provided such that the related party financial instruments do not need to be restated as at the beginning of the earliest comparative period.

The adoption of these amendments had no material impact on the amounts recognized in the Foundation's financial statements or disclosures.

2. Accounting policies (continued)

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 collectability 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.

Financial instruments

Initial measurement

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Foundation is in the capacity of management, are initially recognized at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of financial instruments with repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. The cost of financial instruments without repayment terms is determined using the consideration transferred or received by the Foundation in the transaction.

2. Accounting policies (continued)

Financial instruments (continued)

Subsequent measurement

All financial instruments are subsequently measured at amortized cost, except for cash and cash equivalents and investments which are recorded at fair value. Unrealized gains and losses are recorded in net earnings.

Transaction costs

Transaction costs related to financial instruments subsequently measured at fair value are expensed as incurred.

Impairment

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes an impairment loss, if any, in net earnings when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

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. Perley Health

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, 2022, donations to the Centre were as follows:

	Gifts-in-kind	Cash donations	2022	2021
	\$	\$	\$	\$
Raw materials	4,379	1,509,645	1,514,024	1,623,880

3. Perley Health (continued)

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 \$42,044 (\$40,238 in 2021). As at December 31, 2022, the Foundation owed the Health Centre \$435,166 (\$3,479 owed in 2021), which was non-interest-bearing and without terms of repayment. The \$435,166 includes \$229,328 pertaining to the Foundation's regular operations and \$205,838 of Capital Campaign disbursements.

The Centre is a member of OHFA (Ottawa Hospitals Food Association) – formerly Healthcare Food Services (HFS), which sold its assets in 2019. As unanimously agreed upon by the Members and its Board of Directors, the net proceeds of the sale are to be distributed to each of the Member's respective Foundations. The Foundation will in turn remit these funds to the Centre. In 2022, no additional revenue was recorded (\$14,188 in 2021). At the end of 2022, \$2,968 was still receivable from OHFA to the Foundation (\$11,220 in 2021) and represents the confirmed final payment. The cumulative net proceeds recorded from the sale as at year-end represents \$111,482.

4. Investments

	Fair value \$	% of Fair value	2022 Cost \$	Fair value \$	% of Fair value	2021 Cost \$
Canadian corporate bonds	3,008,677	29	3,093,521	1,432,406	18	1,421,242
Canadian provincial bonds	2,720,196	26	2,822,157	1,720,323	21	1,683,167
Total fixed income	5,728,873	55	5,915,678	3,152,729	39	3,104,409
Canadian equity	1,864,407	18	1,412,142	2,068,934	25	1,413,773
U.S. equity	1,497,738	15	1,022,074	1,630,504	20	989,473
Global equity	1,204,541	12	964,025	1,289,145	16	1,008,795
Total equity	4,566,686	45	3,398,241	4,988,583	61	3,412,041
	10,295,559	100	9,313,919	8,141,312	100	6,516,450

Bonds are bearing interest at rates varying from 0.08% to 3.67% (from 2.10% to 3.50% in 2021) with maturities ranging from October 27, 2023 to December 18, 2028 (from March 22, 2023 to December 18, 2028 in 2021).

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$23,196 (\$5,107 in 2021), which include amounts payable for harmonized sales tax, employer health tax and payroll-related remittances.

6. Capital campaign

In 2018, the Foundation began a new capital campaign, now called Answering the Call, to raise funds for costs associated with the Health Centre's Centre of Excellence, Village Expansion and Clinic projects. In 2020, the Centre put on hold the Village Expansion Project until further notice. Accordingly, the Campaign's mandate shifted to support exceptional care at the Centre and the cost associated with the Centre of Excellence and Clinic Projects. Donations to the capital campaign received, net of related fundraising expenses, are as follows:

	Received during the year	Received in prior years	Received cumulative to date	Outstanding pledge as at December 31	2022 Total	2021 Total
	\$	\$	\$	\$	\$	\$
Capital campaign	1,564,286	5,397,800	6,962,086	634,147	7,596,233	5,890,200

The 2022 income attributable to the Answering the Call campaign is composed of: \$1,310,057 (\$2,604,426 in 2021) of restricted Campaign donations, \$254,229 (\$891,811 in 2021) of unrestricted donations transferred to the Campaign and nil (\$348,506 in 2021) of restricted donations transferred to the Campaign.

7. Financial instruments and risk management

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 \$2,702,279 (\$2,919,650 in 2021).

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.