Financial Statements of

# SAULT AREA HOSPITAL FOUNDATION

And Independent Auditor’s Report thereon

Year ended March 31, 2025

**KPMG LLP**
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# INDEPENDANT AUDITOR'S REPORT

To the Board of Directors of Sault Area Hospital Foundation

## *Opinion*

We have audited the financial statements of Sault Area Hospital Foundation (the Foundation), which comprise:

- the statement of financial position as at March 31, 2025
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter 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 March 31, 2025 and its results of 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. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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 assessing 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 qualified opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 qualified 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada
July 29, 2025

# SAULT AREA HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2025, with comparative information for 2024

| | 2025 | 2024 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 1,831,228 | $ 1,049,348 |
| Managed investments (note 2) | 10,735,383 | 11,490,558 |
| Accounts receivable | 86,666 | 93,984 |
| Prepaid expenses | 21,133 | 29,247 |
| | $ 12,674,410 | $ 12,663,137 |
| **Liabilities and Fund Balances** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 214,529 | $ 211,308 |
| Deferred contributions (note 3) | 201,033 | - |
| Payable to Sault Area Hospital (note 4) | 72,991 | 77,109 |
| | 488,553 | 288,417 |
| Fund balances: | | |
| Endowment | 345,000 | 345,000 |
| Restricted | 6,551,958 | 7,282,033 |
| Unrestricted | 5,288,899 | 4,747,687 |
| | 12,185,857 | 12,374,720 |
| Commitments (note 5) | | |
| | $ 12,674,410 | $ 12,663,137 |

See accompanying notes to the financial statements.

Approved by the Board:

______________________________ Director

______________________________ Director

# SAULT AREA HOSPITAL FOUNDATION

Statement of Operations

Year ended March 31, 2025, with comparative information for 2024

| | | 2025 | | 2024 |
|---|---|---|---|---|
| Revenue: | | | | |
| Donations | $ | 4,645,364 | $ | 3,625,821 |
| Gaming and special events (note 6) | | 2,758,450 | | 3,101,046 |
| Investment income | | 597,903 | | 404,344 |
| Estates and bequests | | 40,510 | | 193,911 |
| Donations in-kind | | 23,433 | | 50,609 |
| Rental income | | 10,800 | | 20,610 |
| Realized gain on managed investments | | 15,820 | | 19,307 |
| | | 8,092,280 | | 7,415,648 |
| Expenses: | | | | |
| Gaming and special events | | 2,014,495 | | 2,114,341 |
| Salaries and benefits | | 962,881 | | 752,198 |
| Supplies and other | | 68,654 | | 55,918 |
| Professional fees | | 29,710 | | 42,956 |
| Printing and materials | | 28,898 | | 18,455 |
| Postage and courier | | 15,917 | | 15,618 |
| Donor recognition and cultivation | | 13,430 | | 8,220 |
| Advertising and promotion | | 8,197 | | 9,162 |
| Rental property | | 3,997 | | 3,921 |
| | | 3,146,179 | | 3,020,789 |
| Excess of revenue over expenses before undernoted item | | 4,946,101 | | 4,394,859 |
| Unrealized (loss) gain on managed investments | | (60,312) | | 155,121 |
| Disbursements: | | | | |
| Sault Area Hospital | | (5,074,652) | | (2,824,756) |
| (Deficiency) excess of revenue over expenses | $ | (188,863) | $ | 1,725,224 |

See accompanying notes to the financial statements.

# SAULT AREA HOSPITAL FOUNDATION

Statement of Changes in Fund Balances

Year ended March 31, 2025, with comparative information for 2024

| 2025 | Endowment Fund | Restricted Fund | Unrestricted Fund | Total |
|---|---|---|---|---|
| Fund balance, beginning of year | $ 345,000 | $ 7,282,033 | $ 4,747,687 | $ 12,374,720 |
| (Deficiency) excess of revenue over expenses | - | (730,075) | 541,212 | (188,863) |
| Fund balance, end of year | $ 345,000 | $ 6,551,958 | $ 5,288,899 | $ 12,185,857 |

| 2024 | Endowment Fund | Restricted Fund | Unrestricted Fund | Total |
|---|---|---|---|---|
| Fund balance, beginning of year | $ 345,000 | $ 6,693,471 | $ 3,611,025 | $ 10,649,496 |
| Excess of revenue over expenses | - | 495,956 | 1,229,268 | 1,725,224 |
| Interfund transfer | - | 92,606 | (92,606) | - |
| Fund balance, end of year | $ 345,000 | $ 7,282,033 | $ 4,747,687 | $ 12,374,720 |

See accompanying notes to the financial statements.

# SAULT AREA HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2025, with comparative information for 2024

| | 2025 | 2024 |
|---|---|---|
| Cash flows from operating activities: | | |
| Excess (deficiency) of revenue over expenses | $ (188,863) | $ 1,725,224 |
| Adjustments for: | | |
| Unrealized loss (gain) on investments | 60,312 | (155,121) |
| | (128,551) | 1,570,103 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 7,318 | (41,086) |
| Prepaid expenses | 8,114 | (6,560) |
| Accounts payable and accrued liabilities | 3,221 | 6,980 |
| Deferred contributions | 201,033 | - |
| Payable to Sault Area Hospital | (4,118) | 15,680 |
| | 87,017 | 1,545,117 |
| Cash flows from investing activities: | | |
| Decrease (increase) in managed investments | 694,863 | (1,761,127) |
| | 694,863 | (1,761,127) |
| Increase (decrease) in cash | 781,880 | (216,010) |
| Cash, beginning of year | 1,049,348 | 1,265,358 |
| Cash, end of year | $ 1,831,228 | $ 1,049,348 |

See accompanying notes to the financial statements.

**Nature of operations:**

Sault Area Hospital Foundation (the "Foundation") is incorporated without share capital under the laws of the province of Ontario and its principal activities include the accumulation of funds to enhance or improve the service of the Sault Area Hospital (the “Hospital”). The Foundation is a registered charity under the Income Tax Act and is exempt from income taxes provided certain requirements of the Income Tax Act are met.

**1. Significant accounting policies:**

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting. The Foundation's significant accounting policies are as follows:

(a) Fund accounting:

The Foundation uses the restricted fund method of accounting for contributions. To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are classified for reporting purposes into funds, in accordance with activities or objectives specified by the donors or in accordance with directives issued by the Board of Directors. For financial reporting purposes, the fund balances have been classified into three funds consisting of the following:

(i) Restricted fund:

The Restricted Fund accounts for the contributions externally restricted by the donor for the following purposes: Renal Dialysis, Oncology Education, Critical Care, Mental Health & Addictions, Cancer Care Fund, Complex Continuing Care, Surgical Program, Women & Children’s Health Care, Medical Imaging, Speech and Language and Palliative Care.

(ii) Endowment fund:

The endowment fund includes those resources for which the donor has stipulated that the capital portion of the funds be maintained permanently, and funds designated internally to be for endowment purposes. Investment income earned is reported in the unrestricted fund and restricted fund, as specified by the donor.

(iii) Capital fund:

The Capital Fund accounts for the cost and liabilities relating to the capital assets.

(iv) Unrestricted fund:

The unrestricted fund accounts for the Foundation's general fundraising, granting and administrative activities, including the activities related to the restricted fund, the endowment fund and the capital fund. The unrestricted fund comprises amounts available for immediate use for the general purposes of the Foundation as determined by the Board of Directors.

**1. Significant accounting policies (continued):**

(b) Revenue recognition*:*

The Foundation follows the deferral method of accounting for contributions which include donations and bequests. Pledges are recorded as revenue in the year the funds are received. Unrestricted donations are recorded as revenue of the unrestricted fund. Designated donations represent contributions received for specific purposes and are recorded as revenue of the restricted fund.

Endowment donations represent contributions received where only the income earned from the investment of the amounts received can be expensed.

Unrestricted investment income is recognized as investment income in the unrestricted fund. Externally restricted net investment income that must be added to the principal amount of resources held for endowment is recognized as investment income in the endowment fund. Other externally restricted net investment income is recognized as investment income in the statement of operations in the restricted fund. Investment income includes interest and dividends from bank accounts and managed investments.

(c) Contributed services:

The Foundation records the fair value of contributed materials that qualify for receipted in-kind donations, where such fair value is determinable, and would otherwise have been purchased, as revenue along with a corresponding expense.

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

(d) Financial instruments*:*

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to record its temporary and managed investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

**1. Significant accounting policies (continued):**

(e) Deferred revenue and prepaid expenses:

Deferred revenue represents deposits received in advance for subsequent years' fundraising events. These amounts are recognized as revenue in the period in which the event occurs, together with any associated costs.

Costs directly related to future fundraising events are presented as prepaid expenses when the Foundation can reliably demonstrate the event meets the criteria for recognition as a prepayment. The related costs are expensed once the event has been held. Such costs are expensed immediately when there is sufficient evidence that the event does not meet the criteria for recognition as a prepayment.

(f) 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the year in which they are known.

**2. Managed investments:**

Managed investments consist of fixed income securities, equity securities and cash and cash equivalents.

**3. Deferred contributions:**

The balances in the deferred revenue consist of contributions for special events and gaming prizes for future use. A continuity of deferred revenue is as follows:

| | 2025 | 2024 |
|---|---|---|
| Balance, beginning of year | $ – | $ – |
| Contributions received | 201,033 | – |
| Balance, end of year | $ 201,033 | $ – |

**4. Payable to Sault Area Hospital:**

| | 2025 | 2024 |
|---|---|---|
| Operating costs payable to Sault Area Hospital | $ 72,991 | $ 77,109 |
| | $ 72,991 | $ 77,109 |

**5. Commitments:**

The Foundation issued letters of credit through its financial institution to provide guarantees to Provincial regulators related to the operation of fundraising lotteries. The outstanding letters of credit amounted to $925,000 (2024 - $462,000) and are secured by term deposits held by the Foundation.

The Foundation has committed to funding other capital acquisition of the Hospital up to the following over the next year:

| | |
|---|---|
| 2026 | $ 7,136,605 |

**6. Gaming and special events:**

Gaming and special events include the operation of lotteries. The lottery amounts are presented on a gross basis in the Statement of Operations.

**7. Financial risk:**

(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 budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2024.

(b) Market and interest rate risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks include equity price risk, currency risk and interest rate risk. The Foundation’s exposure to equity price risk is primarily attributable to fluctuations in quoted market prices of listed investments. The investment held in preferred shares are not exposed to any significant market risks as they are subject to set scheduled redemption amounts.

The Foundation is exposed to interest rate risk on its fixed interest rate investments. Fixed interest instruments subject the Foundation to a fair value risk. The Foundation is exposed to this risk as a result of investments in money market and bond funds.

The risks associated with investments are managed through the Foundation’s established investment policy.