

Financial Statements of

**SAULT AREA HOSPITAL
FOUNDATION**

And Independent Auditors' Report thereon

Year ended March 31, 2020



KPMG LLP
111 Elgin Street, Suite 200
Sault Ste. Marie ON P6A 6L6
Canada
Telephone (705) 949-5811
Fax (705) 949-0911

INDEPENDANT AUDITORS' REPORT

To the Members of Sault Area Hospital Foundation:

Qualified 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, 2020
- 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, except for the possible effects of the matter described in the "**Basis for Qualified Opinion**" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2020 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 Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statement of financial position as at March 31, 2020
- the revenues and excess of revenues over expenses reported in the statement of operations for the year ended March 31, 2020
- the fund balances at the beginning and end of the year, reported in the statement of changes in fund balances for the year ended March 31, 2020 the excess of revenues over expenses reported in the statement of cash flows for the year ended March 31, 2020

Our opinion on the financial statements for the year ended March 31, 2020 was qualified accordingly because of the possible effects of this limitation in scope.



We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' 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 qualified 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a long horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

June 23, 2020

SAULT AREA HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and temporary investments	\$ 1,706,038	\$ 1,122,981
Managed investments (note 2)	4,685,805	4,684,640
Accounts receivable	31,789	14,512
Prepaid expenses	5,584	4,815
	6,429,216	5,826,948
Capital assets (note 4)	19,396	27,769
	\$ 6,448,612	\$ 5,854,717

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 247,466	\$ 13,039
Payable to Sault Area Hospital (note 3)	118,484	149,362
	365,950	162,401
Fund balances:		
Capital	19,396	27,769
Endowment	345,000	345,000
Restricted	3,347,921	2,459,606
Unrestricted	2,370,345	2,859,941
	6,082,662	5,692,316
Commitments (note 5)		
	\$ 6,448,612	\$ 5,854,717

See accompanying notes to the financial statements.

Approved by the Board:

Director

Director

SAULT AREA HOSPITAL FOUNDATION

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Donations	\$ 2,010,151	\$ 1,667,842
Special events	1,447,822	717,283
Investment income	145,147	69,419
Rental income	44,429	44,429
Estates and bequests	13,676	1,168,230
Donations in-kind	2,482	2,482
Unrealized gain on managed investments	-	86,319
	<u>3,663,707</u>	<u>3,756,004</u>
Expenses:		
Salaries and benefits	703,646	533,933
Gaming and special events	675,939	301,457
Supplies and other	136,200	124,030
Major gifts and gift planning	15,873	18,326
Postage and courier	14,732	16,249
Public and donor relations	9,742	17,165
Amortization of capital assets	8,373	8,246
Rental property	6,563	3,908
Direct mail	4,992	24,316
Unrealized loss on managed investments	175,858	-
	<u>1,751,918</u>	<u>1,047,630</u>
Excess of revenue over expenses before undernoted item	1,911,789	2,708,374
Disbursements:		
Sault Area Hospital	(1,521,443)	(1,444,262)
Excess of revenue over expenses	<u>\$ 390,346</u>	<u>\$ 1,264,112</u>

See accompanying notes to the financial statements.

SAULT AREA HOSPITAL FOUNDATION

Statement of Changes in Fund Balances

Year ended March 31, 2020, with comparative information for 2019

						2020
	Capital Fund	Endowment Fund	Restricted Fund	Unrestricted Fund	Total	
Fund balance, beginning of year	\$ 27,769	\$ 345,000	\$ 2,459,606	\$ 2,859,941	\$ 5,692,316	
Capital funding	-	-	-	-	-	
Excess (deficiency) of revenue over expenses	(8,373)	-	888,315	(489,596)	390,346	
Fund balance, end of year	\$ 19,396	\$ 345,000	\$ 3,347,921	\$ 2,370,345	\$ 6,082,662	
						2019
	Capital Fund	Endowment Fund	Restricted Fund	Unrestricted Fund	Total	
Fund balance, beginning of year	\$ 32,845	\$ 345,000	\$ 1,950,249	\$ 2,100,110	\$ 4,428,204	
Capital funding	3,170	-	-	(3,170)	-	
Excess (deficiency) of revenue over expenses	(8,246)	-	509,357	763,001	1,264,112	
Fund balance, end of year	\$ 27,769	\$ 345,000	\$ 2,459,606	\$ 2,859,941	\$ 5,692,316	

See accompanying notes to the financial statements.

SAULT AREA HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 390,346	\$ 1,264,112
Adjustments for:		
Amortization of capital assets	8,373	8,246
Unrealized (gain) loss on investments	175,858	(86,319)
	574,577	1,186,039
Changes in non-cash operating working capital:		
Accounts receivable	(17,277)	(1,167)
Prepaid expenses	(769)	543
Accounts payable and accrued liabilities	234,427	(2,860)
Payable to Sault Area Hospital	(30,878)	(905,571)
	760,080	276,984
Cash flows from investing activities:		
Increase in managed investments	(177,023)	(420,314)
Purchases of capital assets	-	(3,170)
	(177,023)	(423,484)
Increase (decrease) in cash and temporary investments	583,057	(146,500)
Cash and temporary investments, beginning of year	1,122,981	1,269,481
Cash and temporary investments, end of year	\$ 1,706,038	\$ 1,122,981

See accompanying notes to the financial statements.

SAULT AREA HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

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) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions which include donations and bequests.

Endowment contributions are recognized as direct increases in endowment net assets.

Pledges are recorded as revenue in the year the funds are received.

(b) Fund accounting:

The Restricted Fund accounts for the contributions externally restricted by the donor for the following purposes: Renal Dialysis, Oncology Education, Critical Care, Mental Health, Cancer Care Fund, Long Term Care, Surgical Program, Maternal & Child Program, Speech Pathology and Palliative Care.

The Endowment Fund accounts for the contributions for endowment purposes. Investment income earned is reported in the unrestricted fund and restricted fund, as specified by the donor.

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

The Unrestricted Fund accounts for contributions and other sources of revenue which are available for use at the Foundation's discretion.

(c) Contributed services:

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) Capital assets:

Capital assets are stated at cost. Amortization is provided on the straight-line basis at annual rates of 4% for building and 20% for equipment.

SAULT AREA HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

(e) 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.

(f) 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.

(g) 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.

SAULT AREA HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

2. Managed investments:

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

3. Payable to Sault Area Hospital:

	2020	2019
Operating costs payable to Sault Area Hospital	\$ 47,867	\$ 44,080
Disbursement payable to Sault Area Hospital	70,617	105,282
	<u>\$ 118,484</u>	<u>\$ 149,362</u>

4. Capital assets:

2020	Cost	Accumulated amortization	Net
Buildings	\$ 181,542	\$ 162,146	\$ 19,396
Equipment	80,804	80,804	–
	<u>\$ 262,346</u>	<u>\$ 242,950</u>	<u>\$ 19,396</u>

2019	Cost	Accumulated amortization	Net
Buildings	\$ 181,542	\$ 161,060	\$ 20,482
Equipment	80,804	73,517	7,287
	<u>\$ 262,346</u>	<u>\$ 234,577</u>	<u>\$ 27,769</u>

5. Commitments:

At March 31, 2020, the Foundation is committed to the purchase of up to five automobiles at an aggregate cost of approximately \$257,575 as prizes for a future fundraising event and has arranged a letter of guarantee in the amount of \$257,575 in this regard. Cash prizes will be available to winners up to \$190,000. In the case that the cash option is chosen, all unchosen vehicles will be returned to the dealership.

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

2021	\$ 2,296,000
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SAULT AREA HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

6. Financial risk and concentration of 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 2019.

(b) Interest rate risk:

The Foundation is not exposed to any significant interest rate risk.

7. Impact of Coronavirus COVID-19 Pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Foundation implemented the following actions in relation to the COVID-19 pandemic:

- The closure of the Foundation office to the general public, with donations being accepted online;
- The implementation of working from home requirements for certain foundation employees.

a) *Impact of COVID-19 on financial risks:*

The COVID-19 pandemic has impacted the financial risks of the Foundation as follows:

i) Market risk:

Market risk has increased due to significant volatility in financial markets as discussed below:

a) Other price risk:

Other price risk has increased due to greater uncertainty in the valuation of financial assets arising from volatility in equity markets.

The Foundation is continually monitoring the impact of market volatility on its financial instruments and will make adjustments to investment strategies as required to reduce the risk on the Foundation's operations and financial position.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Foundation's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of fund balances to sustain operations. An estimate of the financial effect of the pandemic on the Foundation is not practicable at this time.