

Humber River Hospital Foundation
Financial Statements
For the year ended March 31, 2020

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Independent Auditor's Report

To the Board of Directors of Humber River Hospital Foundation

Opinion

We have audited the financial statements of Humber River Hospital Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2020, and its financial performance 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 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 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.

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 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 these financial statements.



Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario
June 9, 2020

Humber River Hospital Foundation Statement of Financial Position

March 31	2020	2019
Assets		
Cash and cash equivalents (Note 2)	\$ 3,972,570	\$ 1,670,090
Investments (Note 3)	7,553,650	7,972,807
Accounts receivable	111,308	120,629
Prepaid expenses	142,099	164,399
Capital assets (Note 4)	235,512	280,707
	\$ 12,015,139	\$ 10,208,632
Liabilities and Fund Balances		
Liabilities		
Accounts payable and accrued liabilities	\$ 153,067	\$ 164,929
Due to Humber River Hospital (Note 5)	77,576	55,731
Deferred revenue	349,390	297,100
	580,033	517,760
Fund balances		
General fund (Note 6)		
Unrestricted	198,889	1,635,436
Invested in capital assets	235,512	280,707
	434,401	1,916,143
Restricted funds (Note 7)		
Capital restricted	8,045,281	5,464,824
Board designated	508,854	508,140
Other donor restricted	2,446,570	1,801,765
	11,000,705	7,774,729
	11,435,106	9,690,872
	\$ 12,015,139	\$ 10,208,632

On behalf of the Board:

“Signed by Luigi De Rose, Chair of Finance Committee”

“Signed by Alan Spergel, Chair of the Board”

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

Humber River Hospital Foundation Statement of Operations and Changes in Fund Balances

For the year ended March 31

	General Fund		Restricted Funds		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Donations	\$ 584,737	\$ 507,570	\$ 1,564,131	\$ 870,325	\$ 2,148,868	\$ 1,377,895
Investment income (loss) (Note 3)	12,429	122,029	(56,269)	234,366	(43,840)	356,395
Special events	1,239,131	1,840,523	-	-	1,239,131	1,840,523
Capital restricted	-	-	6,983,819	4,822,862	6,983,819	4,822,862
	1,836,297	2,470,122	8,491,681	5,927,553	10,327,978	8,397,675
Expenses						
Salaries and benefits	2,455,589	2,421,153	-	-	2,455,589	2,421,153
Fundraising and promotion	277,319	252,753	-	-	277,319	252,753
Special events	476,794	491,764	-	-	476,794	491,764
Administration and general	53,685	68,146	179,389	149,961	233,074	218,107
Investment management fees	7,602	10,969	25,398	24,134	33,000	35,103
Capital restricted	-	-	435,066	433,725	435,066	433,725
Amortization	47,050	46,800	-	-	47,050	46,800
	3,318,039	3,291,585	639,853	607,820	3,957,892	3,899,405
Excess (deficiency) of revenues over expenses before the following	(1,481,742)	(821,463)	7,851,828	5,319,733	6,370,086	4,498,270
Gifts to Humber River Hospital (Note 5)	-	-	(4,616,852)	(4,989,645)	(4,616,852)	(4,989,645)
Al Palladini Education Fund	-	-	(9,000)	(6,000)	(9,000)	(6,000)
Excess (deficiency) of revenues over expenses for the year	(1,481,742)	(821,463)	3,225,976	324,088	1,744,234	(497,375)
Fund balances, beginning of year	1,916,143	2,737,606	7,774,729	7,450,641	9,690,872	10,188,247
Interfund transfer	-	-	-	-	-	-
Fund balances, end of year	\$ 434,401	\$ 1,916,143	\$ 11,000,705	\$ 7,774,729	\$ 11,435,106	\$ 9,690,872

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

Humber River Hospital Foundation Statement of Cash Flows

For the year ended March 31 **2020** 2019

Cash provided by (used in)

Operating activities

Excess of revenue over expenses before gifts to Humber River Hospital and Al Palladini Education Fund	\$ 6,370,086	\$ 4,498,270
Adjustments required to reconcile excess of revenue over expenses to net cash provided by operating activities		
Amortization of capital assets	47,050	46,800
Unrealized (gain) loss on investments	513,710	(57,980)
Changes in non-cash working capital balances		
Accounts receivable	9,321	12,034
Prepaid expenses	22,300	19,631
Accounts payable and accrued liabilities	(11,862)	643
Deferred revenue	52,290	34,006
Due to Humber River Hospital	21,845	(22,804)
	7,024,740	4,530,600

Financing and investing activities

Purchase of capital assets	(1,855)	-
Investments, net	(94,553)	767,182
Gifts to Humber River Hospital	(4,616,852)	(4,989,645)
Al Palladini Education Fund	(9,000)	(6,000)
	(4,722,260)	(4,228,463)

Increase in cash and cash

equivalents during the year	2,302,480	302,137
Cash and cash equivalents, beginning of year	1,670,090	1,367,953
Cash and cash equivalents, end of year	\$ 3,972,570	\$ 1,670,090

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

Humber River Hospital Foundation

Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies

Nature of Organization

Humber River Hospital Foundation was incorporated under the Corporations Act (Ontario) as a corporation without share capital and was established to receive, maintain, invest and administer funds and apply them for charitable purposes associated with or related to the use, operation, maintenance, renovation and equipment of Humber River Hospital (the "Hospital") and other charitable purposes.

The Foundation is a public foundation registered under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

Use of Estimates

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Fund Accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors (the "Board"). Transfers between the funds are made when it is considered appropriate and authorized by the Board. To meet these objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. The interfund transfers are recorded as a component of changes in fund balances.

Humber River Hospital Foundation

Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies (continued)

Fund Accounting (continued)

For financial reporting purposes, the Foundation's funds have been classified as follows:

General Fund

The General fund accounts for the Foundation's general fundraising, granting and administrative activities. The General fund reports unrestricted resources available for immediate purposes.

Restricted Funds

Capital restricted - These funds are designated to support the equipment purchases of the new hospital and includes the fulfillment of pledges from the Capital campaign. Any direct expenses incurred to generate these revenues are charged to this fund.

Board designated - Board designated funds represent amounts that have been restricted for specific purposes by the Board and are not available for use without its approval.

Other donor restricted - These funds are externally restricted based on the designation of the donor and may only be spent in the manner consistent with the donor's wishes.

Revenue Recognition

The Foundation follows the restricted fund method of accounting for contributions. Donations, including gifts in kind, are recognized as revenue in the year in which they are received. Special events revenue is recognized when the event takes place, amounts can be reasonably estimated and collection is reasonably assured. Revenue for special events held after year end including the Gala, and Awesome Golf Tournament which are received before year end are included in deferred revenue. The Foundation has recorded its proportionate share of the net revenue from the GranFondo cycling event that occurred in Italy in September 2018.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, bank balances and Guaranteed Investment Certificates.

Investments and Investment Income

Investments consist of investment funds and are carried in the financial statements at fair value based on quoted market values. The Foundation has adopted an investment policy that outlines the various investments that can be included in the portfolio.

Investment income is recognized as revenue on an accrual basis and has been allocated to Restricted funds based on their share of the investments held during the year. The balance remains in the General fund. Investment income includes interest and realized and unrealized gains and losses on financial assets.

Humber River Hospital Foundation

Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies (continued)

Contributed Services

The Foundation derives a significant benefit from members acting as volunteers and directors. Since these services are not normally purchased by the Foundation and because of the difficulty in determining fair value, contributed services are not recognized in these financial statements.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Furniture and fixtures	- straight-line basis over five to twenty years
Computer equipment	- straight-line basis over three years
Computer software	- straight-line basis over five years
Office equipment	- straight-line basis over five years

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, all investments have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost, less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

2. Cash and Cash Equivalents

	2020	2019
Cash	\$ 3,463,716	\$ 1,161,950
Guaranteed Investment Certificates – Al Palladini Education Fund	508,854	508,140
	\$ 3,972,570	\$ 1,670,090

Guaranteed investment certificates earn interest at 2.10% (2019 – 2.20%), maturing April 2020 (2019 – April 2019).

Humber River Hospital Foundation Notes to Financial Statements

March 31, 2020

3. Investments

	2020	2019
Cash and money market fund	\$ 937,435	\$ 1,222,086
Fixed income	4,406,430	4,338,946
Canadian equity	698,677	808,639
U.S. equity	891,159	918,693
International equity	619,949	684,443
	\$ 7,553,650	\$ 7,972,807

Due to the impact of COVID-19, the Foundation had recorded an unrealized loss on investments of \$514,560 for the period of February 1, 2020 to March 31, 2020.

4. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 352,432	\$ 119,134	\$ 352,432	\$ 73,534
Computer equipment	43,565	43,709	43,565	42,905
Computer software	66,626	65,021	64,771	64,771
Office equipment	12,041	11,288	12,041	10,892
	\$ 474,664	\$ 239,152	\$ 472,809	\$ 192,102
Net book value		\$ 235,512		\$ 280,707

5. Due to Humber River Hospital

During the year ended March 31, 2020, the Foundation had several transactions with Humber River Hospital. These transactions are in the normal course of operations and include reimbursements of funds disbursed on the Foundation's behalf. These amounts are repaid on a cost recovery basis. The balance due to the Humber River Hospital is non-interest bearing, unsecured and is due in the next fiscal year.

The Foundation also paid \$25,000 (2019 - \$25,000) in administration fees to the Hospital. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

During the year, the Foundation donated \$4,616,852 (2019 - \$4,989,645) to the Hospital.

Humber River Hospital Foundation
Notes to Financial Statements

March 31, 2020

6. General Fund

The changes in the components of the General fund during the year are as follows:

	Invested in Capital Assets	Unrestricted	Total
Balance, April 1, 2019	\$ 280,707	\$ 1,635,436	\$ 1,916,143
Deficiency of revenues over expenses before gifts to Humber River Hospital	-	(1,481,742)	(1,481,742)
Additional investment in capital assets	1,855	(1,855)	-
Amortization	(47,050)	47,050	-
Balance, March 31, 2020	\$ 235,512	\$ 198,889	\$ 434,401

	Invested in Capital Assets	Unrestricted	Total
Balance, April 1, 2018	\$ 327,507	\$ 2,410,099	\$ 2,737,606
Deficiency of revenues over expenses before gifts to Humber River Hospital	-	(821,463)	(821,463)
Amortization	(46,800)	46,800	-
Balance, March 31, 2019	\$ 280,707	\$ 1,635,436	\$ 1,916,143

Humber River Hospital Foundation Notes to Financial Statements

March 31, 2020

7. Restricted Funds

The changes in the components of the Restricted funds during the year are as follows:

	Capital Restricted	Board Designated	Other Donor Designated	Total
Balance , April 1, 2019	\$ 5,464,824	\$ 508,140	\$ 1,801,765	\$ 7,774,729
Excess of revenues over expenses	6,277,983	9,714	1,564,131	7,851,828
Gifts to Humber River Hospital	(3,697,526)	-	(919,326)	(4,616,852)
AI Palladini Education fund	-	(9,000)	-	(9,000)
Balance , March 31, 2020	\$ 8,045,281	\$ 508,854	\$ 2,446,570	\$ 11,000,705

	Capital Restricted	Board Designated	Other Donor Designated	Total
Balance, April 1, 2018	\$ 5,303,517	\$ 504,734	\$ 1,642,390	\$ 7,450,641
Excess of revenues over expenses	4,440,003	9,406	870,324	5,319,733
Gifts to Humber River Hospital	(4,278,696)	-	(710,949)	(4,989,645)
AI Palladini Education fund	-	(6,000)	-	(6,000)
Balance, March 31, 2019	\$ 5,464,824	\$ 508,140	\$ 1,801,765	\$ 7,774,729

Capital Restricted

In the current year, the Capital Restricted Fund raised \$6,983,819 (2019 - \$4,822,862).

Board Designated

In fiscal 2002, the Board designated \$500,000 from the General fund for the specific purpose of establishing the AI Palladini Education Fund. As at March 31, 2020, the balance of this fund is \$508,854 (2019 - \$508,140).

Humber River Hospital Foundation

Notes to Financial Statements

March 31, 2020

8. Financial Instruments

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk through its investments, accounts receivable and prepaid expenses.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Foundation is exposed to this risk through its interest bearing investments (Note 3).

Market Risk

The Foundation is subject to market risk with respect to its investments. The values of these investments will fluctuate as a result of changes in market prices, interest rates or other factors affecting the value of the investments (Note 3).

Foreign Exchange Risk

The Foundation has equity investments in foreign currency which account for approximately 20% (2019 - 20%) of the total investment portfolio. This gives rise to the risk that results of operations and cash flows may be adversely impacted by exchange rate fluctuations. The Foundation does not currently hedge this risk.

9. Commitments

As at March 31, 2020, the Foundation was committed under operating leases for the use of equipment. The minimum annual lease payments for the next two years are as follows:

2021	\$ 2,719
2022	<u>1,585</u>
	<u>\$ 4,304</u>

10. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus ("COVID-19"), a pandemic resulting in economic uncertainties potentially affecting the Foundation's cash flows, financial condition and results of operations. It is not possible to reliably estimate the length or effect of these developments due to uncertainties including the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak and actions that may be taken by governmental authorities to contain COVID-19 or to treat its impact.