

Humber River Hospital Foundation
Financial Statements
For the year ended March 31, 2021

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 14



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, 2021, 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, 2021, 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

Oakville, Ontario
June 23, 2021

Humber River Hospital Foundation
Statement of Financial Position

March 31 **2021** **2020**

Assets

Cash and cash equivalents (Note 2)	\$ 4,408,175	\$ 3,972,570
Investments (Note 3)	8,839,243	7,553,650
Accounts receivable	64,604	111,308
Prepaid expenses	107,707	142,099
Capital assets (Note 4)	189,060	235,512
	\$ 13,608,789	\$ 12,015,139

Liabilities and Fund Balances

Liabilities

Accounts payable and accrued liabilities	\$ 518,240	\$ 153,067
Due to Humber River Hospital (Note 5)	-	77,576
Deferred revenue	354,209	349,390
	872,449	580,033

Fund balances

General fund (Note 6)		
Unrestricted	6,025,903	198,889
Invested in capital assets	189,060	235,512
	6,214,963	434,401

Restricted funds (Note 7)		
Capital restricted	-	8,045,281
Board designated	514,069	508,854
Other donor restricted	6,007,308	2,446,570

	6,521,377	11,000,705
	12,736,340	11,435,106
	\$ 13,608,789	\$ 12,015,139

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	
	2021	2020	2021	2020	2021	2020
Revenues						
Donations	\$ 781,603	\$ 584,737	\$ 2,707,543	\$ 1,564,131	\$ 3,489,146	\$ 2,148,868
Investment income (loss) (Note 3)	49,897	12,429	1,071,266	(56,269)	1,121,163	(43,840)
Special events	691,013	1,239,131	-	-	691,013	1,239,131
Capital restricted	-	-	4,698,868	6,983,819	4,698,868	6,983,819
Government assistance (Note 10)	189,617	-	-	-	189,617	-
	1,712,130	1,836,297	8,477,677	8,491,681	10,189,807	10,327,978
Expenses						
Salaries and benefits	2,517,548	2,455,589	-	-	2,517,548	2,455,589
Fundraising and promotion	194,534	277,319	-	-	194,534	277,319
Special events	175,810	476,794	-	-	175,810	476,794
Administration and general	6,429	53,685	260,081	179,389	266,510	233,074
Investment management fees	833	7,602	33,646	25,398	34,479	33,000
Capital restricted	-	-	230,633	435,066	230,633	435,066
Amortization	46,452	47,050	-	-	46,452	47,050
	2,941,606	3,318,039	524,360	639,853	3,465,966	3,957,892
Excess (deficiency) of revenues over expenses before the following	(1,229,476)	(1,481,742)	7,953,317	7,851,828	6,723,841	6,370,086
Gifts to Humber River Hospital (Note 5)	-	-	(5,422,607)	(4,616,852)	(5,422,607)	(4,616,852)
Al Palladini Education Fund	-	-	-	(9,000)	-	(9,000)
Excess (deficiency) of revenues over expenses for the year	(1,229,476)	(1,481,742)	2,530,710	3,225,976	1,301,234	1,744,234
Fund balances, beginning of year	434,401	1,916,143	11,000,705	7,774,729	11,435,106	9,690,872
Interfund transfer (Notes 6 and 7)	7,010,038	-	(7,010,038)	-	-	-
Fund balances, end of year	\$ 6,214,963	\$ 434,401	\$ 6,521,377	\$ 11,000,705	\$ 12,736,340	\$ 11,435,106

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 **2021** **2020**

Cash provided by (used in)

Operating activities

Excess of revenue over expenses before gifts to Humber River Hospital and Al Palladini Education Fund	\$ 6,723,841	\$ 6,370,086
Adjustments required to reconcile excess of revenue over expenses to net cash provided by operating activities		
Amortization of capital assets	46,452	47,050
Unrealized (gain) loss on investments	(642,839)	513,710
Changes in non-cash working capital balances		
Accounts receivable	46,704	9,321
Prepaid expenses	34,392	22,300
Accounts payable and accrued liabilities	365,173	(11,862)
Deferred revenue	4,819	52,290
Due to Humber River Hospital	(77,576)	21,845
	6,500,966	7,024,740

Financing and investing activities

Purchase of capital assets	-	(1,855)
Investments, net	(642,754)	(94,553)
Gifts to Humber River Hospital	(5,422,607)	(4,616,852)
Al Palladini Education Fund	-	(9,000)
	(6,065,361)	(4,722,260)

Increase in cash and cash equivalents during the year **435,605** 2,302,480

Cash and cash equivalents, beginning of year **3,972,570** 1,670,090

Cash and cash equivalents, end of year **\$ 4,408,175** \$ 3,972,570

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

Humber River Hospital Foundation

Notes to Financial Statements

March 31, 2021

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, 2021

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. During the year, the decision was made to collapse the Capital Restricted Fund (Note 7).

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, GranFondo and Awesome Golf Tournament which are received before year end are included in deferred revenue.

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, 2021

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

	2021	2020
Cash	\$ 3,894,106	\$ 3,463,716
Guaranteed Investment Certificates – Al Palladini Education Fund	514,069	508,854
	\$ 4,408,175	\$ 3,972,570

Guaranteed investment certificates earn interest at 0.50% (2020 – 2.10%), maturing April 2021 (2020 – April 2020).

Humber River Hospital Foundation Notes to Financial Statements

March 31, 2021

3. Investments

	2021	2020
Cash and money market fund	\$ -	\$ 937,435
Fixed income	6,056,409	4,406,430
Canadian equity	895,011	698,677
U.S. equity	-	891,159
International equity	1,887,823	619,949
	\$ 8,839,243	\$ 7,553,650

4. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 352,432	\$ 164,734	\$ 352,432	\$ 119,134
Computer equipment	43,565	43,565	43,565	43,709
Computer software	66,626	65,621	66,626	65,021
Office equipment	12,041	11,684	12,041	11,288
	\$ 474,664	\$ 285,604	\$ 474,664	\$ 239,152
Net book value		\$ 189,060		\$ 235,512

5. Due to Humber River Hospital

During the year ended March 31, 2021, 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 (2020 - \$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 \$5,422,607 (2020 - \$4,616,852) to the Hospital.

Humber River Hospital Foundation Notes to Financial Statements

March 31, 2021

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, 2020	\$ 235,512	\$ 198,889	\$ 434,401
Deficiency of revenues over expenses before gifts to Humber River Hospital	-	(1,229,476)	(1,229,476)
Amortization	(46,452)	46,452	-
Transfer from Capital Restricted Fund	-	7,010,038	7,010,038
Balance, March 31, 2021	\$ 189,060	\$ 6,025,903	\$ 6,214,963

	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

Humber River Hospital Foundation Notes to Financial Statements

March 31, 2021

7. Restricted Funds

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

	Capital Restricted	Board Designated	Other Donor Restricted	Total
Balance, April 1, 2020	\$ 8,045,281	\$ 508,854	\$ 2,446,570	\$ 11,000,705
Excess of revenues over expenses	5,240,559	5,215	2,707,543	7,953,317
Gifts to Humber River Hospital	(4,859,147)	-	(563,460)	(5,422,607)
Transfer between Restricted Funds	(1,416,655)	-	1,416,655	-
Transfer to General Fund	(7,010,038)	-	-	(7,010,038)
Balance, March 31, 2021	\$ -	\$ 514,069	\$ 6,007,308	\$ 6,521,377

	Capital Restricted	Board Designated	Other Donor Restricted	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

In the current year, the Capital Restricted Fund raised \$4,698,868 (2020 - \$6,983,819).

During the year, the decision was made to collapse the Capital Restricted Fund. As a result, \$7,010,038 was allocated to the General Fund and \$1,416,655 to Other Donor Restricted.

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, 2021, the balance of this fund is \$514,069 (2020 - \$508,854).

Humber River Hospital Foundation Notes to Financial Statements

March 31, 2021

7. **Restricted Funds** (continued)

Other Donor Restricted

In accordance with Board approved policies, the Foundation allocated 12% of eligible restricted donations received as of January 1st 2021 from Other Donor Restricted to the General Fund. During the year the amount allocated was \$43,158 (2020 - \$nil).

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 21% (2020 - 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, 2021, the Foundation was committed under operating leases for the use of equipment. The minimum annual lease payments for the next year is as follows:

2022	<u>\$ 1,585</u>
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Humber River Hospital Foundation Notes to Financial Statements

March 31, 2021

10. Government Assistance

During the year, the Foundation received \$189,617 (2020 - \$nil) in financial assistance from the Canada Emergency Wage Subsidy ("CEWS") program.

11. Other Matters

On March 11, 2020 The World Health Organization declared the outbreak of the coronavirus ("COVID-19"), a pandemic, resulting in economic uncertainties. Though non-essential businesses were shutdown temporarily by the government, the Foundation's operations continued remotely.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation. The Board of Directors are actively monitoring the impact of the global situation on its financial condition, liquidity, operations and workforce.