

Stevenson Memorial Hospital Foundation
Financial Statements
For the year ended March 31, 2019

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Independent Auditor's Report

To the Board of Directors of Stevenson Memorial Hospital Foundation

Opinion

We have audited the financial statements of Stevenson Memorial Hospital Foundation, which comprise the statement of financial position as at March 31, 2019, and the statements of operations and changes in net assets 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 Stevenson Memorial Hospital Foundation as at March 31, 2019, 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. 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.

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.



Chartered Professional Accountants, Licensed Public Accountants

Alliston, Ontario
May 22, 2019


**Stevenson Memorial Hospital Foundation
Statement of Financial Position**

March 31	2019	2018
Assets		
Current		
Cash (Note 2)	\$ 302,456	\$ 92,318
Portfolio cash	57,837	44,435
Other receivables	8,974	10,314
Inventory	4,409	5,131
Prepaid expenses	64,203	36,702
	437,879	188,900
Long-term investments (Note 3)	2,893,887	2,481,807
Property, plant and equipment (Note 4)	31,791	38,575
	2,925,678	2,520,382
	\$3,363,557	\$ 2,709,282
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 930,398	\$ 600,685
Deferred gala revenue	180,415	-
	1,110,813	600,685
Net Assets		
Unrestricted	1,899,657	2,108,597
Externally restricted	353,087	-
	2,252,744	2,108,597
	\$3,363,557	\$ 2,709,282

On behalf of the board:



Director



Director

Stevenson Memorial Hospital Foundation
Statement of Operations and Changes in Net Assets

For the year ended March 31	Unrestricted	Externally Restricted	Total 2019	Total 2018
Revenues				
Donations and events (Note 5)	\$ 672,162	\$ 1,308,967	\$ 1,981,129	\$ 2,090,604
Investment income (Note 7)	231,265	-	231,265	86,880
Sales	2,882	-	2,882	4,196
Membership fees	550	-	550	535
	<u>906,859</u>	<u>1,308,967</u>	<u>2,215,826</u>	<u>2,182,215</u>
Expenses (Note 6)				
Amortization of property, plant and equipment	6,784	-	6,784	6,938
Consulting and other fees	17,341	3,000	20,341	10,622
Fundraising and events	118,866	-	118,866	173,479
Investment fees	18,796	-	18,796	17,993
Marketing and promotion	1,010	-	1,010	3,578
Office supplies, computer licenses and printing	37,186	-	37,186	35,788
Professional development	4,683	-	4,683	7,218
Professional fees and bookkeeping services	23,331	-	23,331	33,545
Wages and benefits	397,867	-	397,867	381,476
	<u>625,864</u>	<u>3,000</u>	<u>628,864</u>	<u>670,637</u>
Excess of revenues over expenses before contributions	280,995	1,305,967	1,586,962	1,511,578
Contributions to Stevenson Memorial Hospital (Note 6)	(292,176)	(1,150,639)	(1,442,815)	(1,224,678)
Excess of revenues over expenses (expenses over revenues)	(11,181)	155,328	144,147	286,900
Net assets, beginning of the year	<u>1,910,838</u>	<u>197,759</u>	<u>2,108,597</u>	<u>1,821,697</u>
Net assets, end of the year	<u>\$ 1,899,657</u>	<u>\$ 353,087</u>	<u>\$ 2,252,744</u>	<u>\$ 2,108,597</u>

**Stevenson Memorial Hospital Foundation
Statement of Cash Flows**

For the year ended March 31	2019	2018
Excess of revenues over expenses	\$ 144,147	\$ 286,900
Items not involving cash:		
Amortization of property, plant and equipment	6,784	6,938
	150,931	293,838
Changes in non-cash working capital:		
Other receivables	1,340	5,203
Inventory	722	2,135
Prepaid expenses	(27,501)	(5,384)
Accounts payable and accrued liabilities	329,713	(17,313)
Deferred gala revenue	180,415	(189,700)
	635,620	88,779
Cash flows from investing activities		
Acquisition of property, plant and equipment	-	(5,128)
Proceeds on disposal of long-term investments	305,648	1,366,601
Purchase of long-term investments	(717,728)	(1,476,104)
	(412,080)	(114,631)
Net increase (decrease) in cash	223,540	(25,852)
Cash, beginning of the year	136,753	162,605
Cash, end of year	\$ 360,293	\$ 136,753
Represented by:		
Bank	\$ 302,456	\$ 92,318
Portfolio cash	57,837	44,435
	\$ 360,293	\$ 136,753

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

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2019

1. Significant Accounting Policies

Purpose of Organization	Stevenson Memorial Hospital Foundation (the "Foundation") is a non-profit foundation incorporated December 30, 1985 without share capital under the laws of Ontario. The Foundation accepted the transfer of the investment portfolio of Stevenson Memorial Hospital in March 1986. The purpose of the Foundation is to receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time-to-time, for medical, charitable or educational purposes, within the Province of Ontario, including, without limiting the generality of the foregoing, for the support of Stevenson Memorial Hospital of Alliston. The Foundation is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.						
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.						
Inventory	Inventory is stated at the lower of cost and replacement cost. Cost is generally determined on the first-in, first-out basis. Replacement cost is the amount that would be needed currently to acquire an equivalent asset.						
Contributed Materials and Services	Contributed materials and services which are used in the normal course of the Foundation's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.						
Property, Plant and Equipment	<p>Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When property, plant and equipment no longer contributes to the Foundation's ability to provide services or the value of future economic benefits associated with the property, plant and equipment is less than its net book value, the carrying value of the property, plant and equipment is reduced to reflect the decline in the asset's value.</p> <p>Property, plant and equipment are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which have been estimated as follows:</p> <table><tr><td>Office equipment</td><td>10 years</td></tr><tr><td>Computer equipment</td><td>3 years</td></tr><tr><td>Leasehold improvements</td><td>10 years</td></tr></table>	Office equipment	10 years	Computer equipment	3 years	Leasehold improvements	10 years
Office equipment	10 years						
Computer equipment	3 years						
Leasehold improvements	10 years						

Stevenson Memorial Hospital Foundation

Notes to Financial Statements

March 31, 2019

Revenue Recognition	<p>The Foundation follows the restricted method of accounting for donations. Donations and gifts in kind which are restricted by the donors for specific purposes are recorded as restricted funds; other donations are recorded as unrestricted. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Sales and events revenues are recognized on the accrual basis and recorded as either restricted or unrestricted based on their intended purpose.</p> <p>Investment income is recognized on the accrual basis and recorded in the unrestricted net assets.</p>
Use of Estimates	<p>The preparation of financial statements in accordance 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 at the date of the financial statements and the reported period. The principal estimates used in the preparation of these financial statements includes allowance for doubtful accounts, accrued liabilities and the useful life of property, plant and equipment. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>
Financial Instruments	<p>Financial instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.</p> <p>Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in excess of revenues over expenses. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.</p>

2. Cash

The Foundation maintains cash balances at the Bank of Montreal and Royal Bank of Canada and earns interest at prime less 1.75% and prime less 1.70% accordingly.

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2019

3. Investments

	2019		2018	
	Cost	Quoted Market value	Cost	Quoted Market value
Canadian equities and bond mutual funds	\$ 1,923,912	\$ 2,056,606	\$ 1,587,269	\$ 1,639,474
International equities	214,762	195,123	299,207	288,889
U.S. equities	468,584	642,158	449,039	553,444
	\$ 2,607,258	\$ 2,893,887	\$ 2,335,515	\$ 2,481,807

Investments in securities with an active market have been included at market based on quoted bid prices as at March 31, 2019.

Canadian equities and bond mutual funds are comprised of the outstanding shares of Canadian various public companies and a Canadian bond mutual fund. They have no fixed maturity dates. Dividends are generally received quarterly, semi-annually or annually. The maximum investment in any one Canadian company or mutual fund at March 31, 2019 is 30,460 units of the TD Canadian Bond Fund - PV. with a market value of \$337,496 (cost - \$338,317). The maximum investment in any one industry at March 31, 2019 for Canadian equities is the Financial Services Industry with an investment at market value of \$312,178 (cost - \$257,838) which represents 39.81% of the total investment in Canadian equities (39.56% of the total cost of Canadian equities).

International equities are comprised of outstanding shares of various public companies. They have no fixed maturity dates. Dividends are generally received quarterly, semi-annually or annually. The maximum investment in any one international company or mutual fund at March 31, 2019 is 19,055 shares of Epoch International Equity Fund-PRIV with a market value of \$195,123 (cost - \$214,762) which represents 100% of the total investment in International equities (100% of the total cost of International equities).

U.S. equities are comprised of outstanding shares of various public companies. They have no fixed maturity dates. Dividends are generally received quarterly, semi-annually or annually. The maximum investment in any one U.S. company or mutual fund at March 31, 2019 is 35,735 shares of TD U.S. Blue Chip Equity FD- EM-PRIV with a market value of \$642,158 (cost - \$468,584) which represents 100% of the total investment in U.S. equities (100% of the total cost of U.S. equities).

The amount of change in the fair value of the above investments, designated as held-for-trading and recognized in investment income during the year, was an unrealized gain of \$140,338 (2018 - loss of \$73,999).

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2019

4. Property, Plant and Equipment

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 17,472	\$ 5,617	\$ 19,040	\$ 5,920
Computer equipment	9,028	6,180	9,028	4,196
Leasehold improvements	35,355	18,267	35,355	14,732
	\$ 61,855	\$ 30,064	\$ 63,423	\$ 24,848
Net book value		\$ 31,791		\$ 38,575

5. Donations and Events

The Foundation receives a variety of donations from corporations, individuals and other organizations. The Foundation also holds a number of fundraising events such as a bi-annual major gala, a bi-annual Radio-a-thon as well as other third party community events.

6. Related Party Transactions

Stevenson Memorial Hospital (the "Hospital")

The Hospital is an independent corporation, incorporated without share capital, which has its own independent Board of Directors and is a registered charity under the Income Tax Act (Canada). The Hospital receives funds from the Foundation for the purchase of equipment and renovations to the Hospital.

Certain amounts donated to the Hospital are externally restricted.

The following table summarizes the Foundation's related party transactions for the year:

	2019	2018
- Contributions measured at fair value at date of distribution	\$ 1,442,815	\$ 1,224,678
- Administration and other costs measured at cost recovery	397,867	381,476

At the end of the year, the amount due to the Hospital measured at carrying value is \$889,254 (2018 - \$592,610) and is included in accounts payable and accrued liabilities.

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2019

7. Investment Income

	2019	2018
Interest	\$ 50,473	\$ 45,031
Dividends	27,398	26,624
Realized gains on sale of investments	13,056	89,224
Unrealized gain (loss) on investments	140,338	(73,999)
	<u>\$ 231,265</u>	<u>\$ 86,880</u>

8. Financial Instruments

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Foundation will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Foundation is exposed to this risk mainly in respect of its accounts payable.

The Foundation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Foundation maintains a portion of its invested assets in liquid securities.

There have not been any changes in the risk from the prior year.

Market 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 risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is mainly exposed to interest rate risk and other price risk.

To manage the market risk, the Foundation hires an outside investment manager who has regular meets with the Board of Directors. There are also, at minimum, yearly reviews of the investment manager and investment performance.

There have not been any changes in the risk from the prior year.

Stevenson Memorial Hospital Foundation

Notes to Financial Statements

March 31, 2019

8. Financial Instruments (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 28% of the Stevenson Memorial Hospital Foundation's investments are in international and US equities. Consequently, some assets are exposed to foreign exchange fluctuations. As at year end, investment balances of \$837,281 (2018 - \$842,333) are converted into Canadian dollars.

The Stevenson Memorial Hospital Foundation considers this risk to be acceptable and therefore does not hedge its foreign exchange rate risk.

There have not been any changes in the risk from the prior year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Foundation to a fair value risk while the floating rate instruments subject it to a cash flow risk.

A substantial portion of the Foundation's investments bear interest at floating rates. Fluctuations in these rates will impact the investment income received in the future.

The Foundation mitigates interest rate risk on investments by diversifying the durations of the fixed-income investments that are held at a given time.

There have not been any changes in the risk from the prior year.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk through its investments in quoted shares.

The Foundation manages other price risk through asset allocation and maintaining a portfolio that is well diversified on both a geographic and industry sector basis.

There have not been any changes in the risk from the prior year.

9. Comparative Amounts

For comparison purposes, certain items of the previous year have been restated to reflect the financial statement presentation adopted in the current year.
