

Stevenson Memorial 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 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, 2020, 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, 2020, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Newmarket, Ontario
June 22, 2020

Stevenson Memorial Hospital Foundation Statement of Financial Position

March 31	2020	2019
Assets		
Current		
Cash (Note 2)	\$ 567,953	\$ 302,456
Portfolio cash	53,670	57,837
Other receivables	32,934	26,629
Inventory	3,649	4,409
Prepaid expenses	<u>16,936</u>	<u>64,203</u>
	<u>675,142</u>	<u>455,534</u>
Long-term investments (Note 3)	1,990,669	2,893,887
Property, plant and equipment (Note 4)	25,347	31,791
	<u>2,016,016</u>	<u>2,925,678</u>
	<u>\$2,691,158</u>	<u>\$ 3,381,212</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 671,143	\$ 948,053
Deferred gala revenue	-	180,415
	<u>671,143</u>	<u>1,128,468</u>
Net Assets		
Unrestricted	1,431,352	1,899,657
Externally restricted	<u>588,663</u>	<u>353,087</u>
	<u>2,020,015</u>	<u>2,252,744</u>
	<u>\$2,691,158</u>	<u>\$ 3,381,212</u>

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 2020	Total 2019
Revenues				
Donations and events (Note 5)	\$ 1,009,797	\$ 938,270	\$ 1,948,067	\$ 1,981,129
Investment income (Note 7)	3,910	-	3,910	231,265
Sales	1,129	-	1,129	2,882
Membership fees	110	-	110	550
	1,014,946	938,270	1,953,216	2,215,826
Expenses				
Amortization of property, plant and equipment	6,444	-	6,444	6,784
Consulting and other fees	18,421	3,000	21,421	20,341
Fundraising and events	285,023	-	285,023	118,866
Investment fees	17,373	-	17,373	18,796
Marketing and promotion	2,314	-	2,314	1,010
Office supplies, computer licenses and printing	46,971	-	46,971	37,186
Professional development	5,642	-	5,642	4,683
Professional fees and bookkeeping services	23,371	-	23,371	23,331
Wages and benefits (Note 6)	407,950	-	407,950	397,867
	813,509	3,000	816,509	628,864
Excess of revenues over expenses before contributions	201,437	935,270	1,136,707	1,586,962
Contributions to Stevenson Memorial Hospital (Note 6)	(669,742)	(699,694)	(1,369,436)	(1,442,815)
Excess of revenues over expenses (expenses over revenues)	(468,305)	235,576	(232,729)	144,147
Net assets, beginning of the year	1,899,657	353,087	2,252,744	2,108,597
Net assets, end of the year	\$ 1,431,352	\$ 588,663	\$ 2,020,015	\$ 2,252,744

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

For the year ended March 31	2020	2019
Excess of revenues over expenses (expenses over revenues)	\$ (232,729)	\$ 144,147
Items not involving cash:		
Amortization of property, plant and equipment	<u>6,444</u>	<u>6,784</u>
	(226,285)	150,931
Changes in non-cash working capital:		
Other receivables	(6,305)	(3,542)
Inventory	760	722
Prepaid expenses	47,267	(27,501)
Accounts payable and accrued liabilities	(276,910)	334,595
Deferred gala revenue	(180,415)	180,415
	<u>(641,888)</u>	<u>635,620</u>
Cash flows from investing activities		
Proceeds on disposal of long-term investments	1,235,762	305,648
Purchase of long-term investments	(332,544)	(717,728)
	<u>903,218</u>	<u>(412,080)</u>
Net increase in cash	261,330	223,540
Cash, beginning of the year	360,293	136,753
Cash, end of year	\$ 621,623	\$ 360,293
Represented by:		
Bank	\$ 567,953	\$ 302,456
Portfolio cash	<u>53,670</u>	<u>57,837</u>
	\$ 621,623	\$ 360,293

Stevenson Memorial Hospital Foundation

Notes to Financial Statements

March 31, 2020

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 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.

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:

Office equipment	10 years
Computer equipment	3 years
Leasehold improvements	10 years

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2020

Revenue Recognition 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.

Sales and events revenues are recognized on the accrual basis and recorded as either restricted or unrestricted based on their intended purpose.

Investment income is recognized on the accrual basis and recorded in the unrestricted net assets.

Use of Estimates

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.

Financial Instruments Financial instruments are recorded at fair value at initial recognition.

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.

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.

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2020

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.

The Foundation is exposed to credit risk arising from all of its bank accounts being held at two financial institutions as deposits are only insured up to \$100,000 per institution.

3. Long-Term Investments

	2020		2019	
	Quoted Cost	Market value	Quoted Cost	Market value
Canadian equities and bond mutual funds	\$ 1,481,547	\$ 1,506,323	\$ 1,923,912	\$ 2,056,606
International equities	-	-	214,762	195,123
U.S. equities	<u>346,459</u>	<u>484,346</u>	<u>468,584</u>	<u>642,158</u>
	<u>\$ 1,828,006</u>	<u>\$ 1,990,669</u>	<u>\$ 2,607,258</u>	<u>\$ 2,893,887</u>

Investments in securities with an active market have been included at market based on quoted bid prices as at March 31, 2020.

Canadian equities and bond mutual funds are comprised of the outstanding shares of various Canadian 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, 2020 is 85,161 units of the TD Canadian Bond Fund - PV. with a market value of \$846,505 (cost - \$849,393). The maximum investment in any one industry at March 31, 2020 for Canadian equities is the Financial Services Industry with an investment at market value of \$265,316 (cost - \$287,769) which represents 40.21% of the total investment in Canadian equities (45.52% of the total cost of Canadian 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, 2020 is 26,195 shares of TD U.S. Blue Chip Equity FD- EM-PRIV with a market value of \$484,346 (cost - \$346,459) which represents 100% of the total investment in U.S. equities (100% of the total cost of U.S. equities).

All international equities were sold in 2020.

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 loss of \$123,967 (2019 - gain of \$140,338), see Note 7.

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2020

4. Property, Plant and Equipment

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 17,472	\$ 6,910	\$ 17,472	\$ 5,617
Computer equipment	9,028	7,813	9,028	6,180
Leasehold improvements	<u>35,355</u>	<u>21,785</u>	35,355	18,267
	<u><u>\$ 61,855</u></u>	<u><u>\$ 36,508</u></u>	<u><u>\$ 61,855</u></u>	<u><u>\$ 30,064</u></u>
Net book value		<u><u>\$ 25,347</u></u>		<u><u>\$ 31,791</u></u>

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:

	2020	2019
- Contributions measured at fair value at date of distribution	\$ 1,369,436	\$ 1,442,815
- Administration and other costs measured at cost recovery	407,950	397,867

At the end of the year, the amount due to the Hospital measured at carrying value is \$658,944 (2019 - \$889,254) and is included in accounts payable and accrued liabilities.

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2020

7. Investment Income

	2020	2019
Interest	\$ 40,803	\$ 50,473
Dividends	29,581	27,398
Realized gains on sale of investments	57,493	13,056
Unrealized gain (loss) on investments	<u>(123,967)</u>	140,338
	<hr/>	<hr/>
	\$ 3,910	\$ 231,265

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 exposed to all three risks.

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, 2020

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. At year end, approximately 19% of the Stevenson Memorial Hospital Foundation's investments are in US equities. Consequently, some assets are exposed to foreign exchange fluctuations. As at year end, investment balances of \$346,459 (2019 - \$837,281) 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.

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2020

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.

10. Uncertainty Due to COVID-19

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As a result, the Foundation may see fluctuations in charitable givings. As the impacts of COVID-19 continue, there could be further impact on the Foundation and its donors, suppliers and other third party business associates. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

11. Damages to Foundation Office

On March 18, 2020 the Foundation office experienced flooding. Management believes that the financial exposure to the Foundation will be limited to an insurance deductible, if any.
