

Huntsville Hospital Foundation

Annual Audited Statements

2019/2020



**Huntsville District Memorial
Hospital Foundation**
(A Corporation Without Share Capital)
Financial Statements
For the year ended March 31, 2020

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Independent Auditor's Report

To the Board of Directors of
Huntsville District Memorial Hospital Foundation (A Corporation Without Share Capital)

Qualified Opinion

We have audited the financial statements of Huntsville District Memorial Hospital Foundation (A Corporation Without Share Capital) (the Foundation), which comprise the statement of financial position as at March 31, 2020, the statements of operations, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *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.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2020 has been restated. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

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

Huntsville, Ontario
November 3, 2020

Huntsville District Memorial Hospital Foundation
(A Corporation Without Share Capital)
Statement of Financial Position

March 31	2020	Restated (Note 2) 2019
Assets		
Current		
Cash	\$ 1,184,005	\$ 398,742
Accounts receivable	31,949	11,065
Prepaid expenses	9,941	7,794
	1,225,895	417,601
Investments (Note 3)	4,370,221	3,876,520
Capital assets (Note 4)	157,058	166,891
	\$ 5,753,174	\$ 4,461,012
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 24,305	\$ 45,133
Deferred restricted contributions (Note 5)	1,000,001	1,000,001
Due to Muskoka Algonquin Health Care (Note 6)	660,409	31,712
	1,684,715	1,076,846
Net Assets		
Internally restricted (Note 3)	1,500,000	500,000
Unrestricted	2,568,459	2,884,166
	4,068,459	3,384,166
	\$ 5,753,174	\$ 4,461,012

On behalf of the Board:

 Director

Huntsville District Memorial Hospital Foundation
(A Corporation Without Share Capital)
Statement of Changes in Net Assets

For the year ended March 31	Internally Restricted	Unrestricted	Total 2020	Restated (Note 2) Total 2019
Balance , beginning of year	\$ 500,000	\$ 2,884,166	\$ 3,384,166	\$ 3,381,669
Excess of revenue over expenses for the year	-	684,293	684,293	2,497
Transfers	1,000,000	(1,000,000)	-	-
Balance , end of year	\$ 1,500,000	\$ 2,568,459	\$ 4,068,459	\$ 3,384,166

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

Huntsville District Memorial Hospital Foundation
(A Corporation Without Share Capital)
Statement of Operations

For the year ended March 31	2020	Restated (Note 2) 2019
Operating Revenue		
Donations - general	\$ 2,528,506	\$ 2,264,405
Donations - gifts in kind	36,828	20,347
Donations - bequest	1,698,921	842,879
Investment income	106,416	133,442
Adjustment to fair value of investments	<u>(146,093)</u>	<u>57,461</u>
	4,224,578	3,318,534
Operating Expenses		
Administration	97,742	87,397
Donor development	307,065	430,550
Investment management fees	31,983	26,849
Other	27,555	36,441
Staff	<u>406,340</u>	<u>360,147</u>
	870,685	941,384
Excess of revenue over expenses	3,353,893	2,377,150
Contributions made		
Muskoka Algonquin Health Care	(2,657,600)	(2,361,553)
Scholarships	<u>(12,000)</u>	<u>(13,100)</u>
	(2,669,600)	(2,374,653)
Excess of revenue over expenses and contributions made for the year	\$ 684,293	\$ 2,497

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

Huntsville District Memorial Hospital Foundation
(A Corporation Without Share Capital)
Statement of Cash Flows

For the year ended March 31	2020	Restated (Note 2) 2019
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses and contributions made for the year	\$ 684,293	\$ 2,497
Items not involving cash		
Amortization of capital assets	11,529	11,480
Adjustment to fair value of investments	146,093	(57,461)
	<u>841,915</u>	<u>(43,484)</u>
Changes in non-cash working capital balances		
Accounts receivable	(20,885)	24,686
Prepaid expenses	(2,147)	(6,582)
Accounts payable and accrued liabilities	(20,829)	26,183
Deferred restricted contributions	-	1,000,001
Due to Muskoka Algonquin Health Care	628,698	(26,977)
	<u>1,426,752</u>	<u>973,827</u>
Investing activities		
Purchase of capital assets	(1,696)	(27,265)
Purchase of investments	(639,793)	(1,306,394)
	<u>(641,489)</u>	<u>(1,333,659)</u>
Increase (decrease) in cash during the year	785,263	(359,832)
Cash, beginning of year	398,742	758,574
Cash, end of year	\$ 1,184,005	\$ 398,742

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

Huntsville District Memorial Hospital Foundation (A Corporation Without Share Capital)

Notes to Financial Statements

March 31, 2020

1. Summary of Significant Accounting Policies

**Nature and Purpose
of Organization**

The Huntsville District Memorial Hospital Foundation (The Foundation) is a not-for-profit organization incorporated without share capital under the laws of Ontario. Registration has been granted by the Department of National Revenue for designation as a charitable organization and as such, the Foundation is exempt from income taxes. The Foundation performs fundraising activities in support of health care organizations in Huntsville, Ontario.

Basis of Accounting

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Cost is net of related investment tax credits and government grants. Amortization based on the estimated useful life of the asset is calculated as follows:

Building - 6% straight line basis
Furniture and equipment - 20% straight line basis

**Impairment of
Long-Lived Assets**

The Foundation tests for impairment of long-lived assets whenever events or changes in circumstances occur, which may cause their carrying value to exceed the total undiscounted cash flows expected from their use and eventual disposition. An impairment loss, if any, is determined as the excess of the carrying value of the asset over its fair value.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value with any unrealized gains and losses reported in operations. In addition, all guaranteed investment certificates and 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.

**Huntsville District Memorial Hospital Foundation
(A Corporation Without Share Capital)
Notes to Financial Statements**

March 31, 2020

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition The Foundation follows the deferral method of accounting for contributions. Restricted contributions and donations of a capital nature are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Donations are accounted for as received. Amounts pledged but as yet unremitted are not reflected in these financial statements.

Investment income is accrued in the period earned and dividends are recognized when received.

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 amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

**Donations in Kind,
Contributed Services
and Materials** A substantial number of volunteers contribute a significant amount of their time to the Foundation each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Contributed materials and gifts 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. During the year, the Foundation received "in-kind" donations in the amount of \$36,828. These amounts have been reflected separately as donations - gifts in kind revenue and as an increase in donor development expenses.

**Huntsville District Memorial Hospital Foundation
(A Corporation Without Share Capital)
Notes to Financial Statements**

March 31, 2020

2. Prior Period Adjustment

During the year, the Foundation determined that a restricted contribution received in the prior year was incorrectly included in unrestricted donations revenue. As a result, revenues were overstated in the prior year. The result of this correction to the prior year is as follows:

Increase in deferred restricted contributions	\$ 1,000,001
Decrease in donations - general	(1,000,001)
Decrease in excess of revenue over expenses	(1,000,001)
Decrease in unrestricted net assets, end of year	(1,000,001)

3. Investments

	<u>2020</u>	<u>2019</u>
Mutual funds	\$ 3,546,574	\$ 3,066,959
Guaranteed investment certificates	713,759	705,145
Cash surrender value of life insurance	<u>109,888</u>	<u>104,416</u>
	<u>\$ 4,370,221</u>	<u>\$ 3,876,520</u>

The guaranteed investment certificates have interest rates of 1% and will mature within the next year.

The Foundation's investments are financial assets and are measured at fair value.

The Foundation holds title to life insurance policies on the lives of donors with a face value of \$880,186 (2019 - \$876,228). The Foundation receives cash or in kind donations equivalent to the premiums on the insurance policies. The increase in cash surrender value of the policies is included in investment income for the year.

The investments above include \$1,500,000 that has been internally restricted by the Board for future commitments relating to the Huntsville District Memorial Hospital Rebuild.

The investments above include \$1,000,001 that is externally restricted.

Huntsville District Memorial Hospital Foundation
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2020

4. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building	\$ 166,479	\$ 18,637	\$ 166,479	\$ 9,200
Furniture and equipment	13,588	4,372	11,892	2,280
	\$ 180,067	\$ 23,009	\$ 178,371	\$ 11,480
Net book value		\$ 157,058		\$ 166,891

5. Deferred Restricted Contributions

Deferred restricted contributions represent externally restricted donations received which have not yet been spent for the restricted purpose to support the diagnostic imaging camera suite at Huntsville District Memorial Hospital. The amount of revenue recognized during the year is based on expenses incurred for the restricted purpose.

The changes for the year in the deferred restricted contributions balance are as follows:

	2020	(Note 2) 2019
Balance, beginning of year	\$ 1,000,001	\$ -
Contributions received	-	1,000,001
Balance, end of year	\$ 1,000,001	\$ 1,000,001

Huntsville District Memorial Hospital Foundation
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2020

6. Related Party Transactions

The Foundation is related to Muskoka Algonquin Health Care (MAHC). Specifically, Huntsville District Memorial Hospital is one of the hospitals within MAHC. The Foundation solicits funds on behalf of Huntsville District Memorial Hospital. These funds are transferred to MAHC in support of approved capital projects of the Huntsville District Memorial Hospital. Substantially all contributions are made to this entity and it therefore has an economic interest in the Foundation.

During the year the Foundation transferred \$2,657,600 to Muskoka Algonquin Health Care (2019 - \$2,361,553).

In addition, during the year, the Foundation incurred operating costs of \$390,796 (2019 - \$345,469) which were initially paid by Muskoka Algonquin Health Care and then reimbursed by the Foundation.

7. Health Sciences Scholarship

The Foundation's Board of Directors created the Dr. David Allan Health Sciences Scholarship to distribute annual awards to individuals pursuing a course in medical education. The amount to be distributed is set at the discretion of the Board of Directors. The Scholarship fund balance is part of the mutual fund investments (Note 3) with the investment income being allocated annually by the Board of Directors. As the scholarship fund is internally restricted, it is included in unrestricted net assets.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 63,556	\$ 61,425
Donations received during the year	1,000	900
Investment income (loss) allocated for the year	(1,305)	3,231
Scholarships disbursed during the year	(2,000)	(2,000)
Balance, end of year	<u>\$ 61,251</u>	<u>\$ 63,556</u>

8. Commitments

As of June 2020, the Foundation is committed to the purchase of nuclear medicine camera equipment. It has received a \$1,000,001 donation for the purchase of this equipment. It has set aside an additional \$1,500,000 as a provision for construction and associated costs required to install the equipment.

**Huntsville District Memorial Hospital Foundation
(A Corporation Without Share Capital)
Notes to Financial Statements**

March 31, 2020

9. Impact of COVID-19

The global pandemic has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time.

The Foundation has had to cancel some of its fundraising events resulting in loss of event revenues for fiscal 2021.

10. Financial Instrument Risks

The Foundation is exposed to credit risk arising from bank accounts being held at one financial institution and deposits are only insured up to \$100,000.

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