

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

Financial Statements

March 31, 2019

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

Financial Statements

For The Year Ended March 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Members of **St. Thomas Elgin General Hospital Foundation**:

Qualified Opinion

We have audited the financial statements of **St. Thomas Elgin General Hospital Foundation**, which comprise the statement of financial position as at March 31, 2019, and the statement of fund operations and changes in net assets, statement of changes in net assets and statement of 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 effects of the matter described in the Basis for Qualified Opinion paragraph, the organization's financial statements present fairly, in all material respects, the financial position of the organization 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 Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions and donations, revenues over expenditures, and cash flows for the year ending March 31, 2019 and year ending March 31, 2018, current assets as at March 31, 2019 and March 31, 2018 and net assets as at April 1, 2018 and March 31, 2019 for the 2019 year ended, as well as April 1, 2017 and March 31, 2018 for the 2018 year ended. Our audit opinion on the financial statements for the year ended March 31, 2018 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization 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 qualified opinion.

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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' 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 organization'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 organization'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 organization 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.

St. Thomas, Ontario

May 24, 2019

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

**Statement of Financial Position
As at March 31, 2019**

| | <u>ASSETS</u> | |
|---|-----------------------------------|-------------------------|
| | 2019 | 2018 |
| | <u>\$</u> | <u>\$</u> |
| ASSETS | | |
| Cash | 698,304 | 1,264,989 |
| Planned gifts (Note 5) | 27,384 | 51,193 |
| Prepaid expenses | 12,091 | 4,490 |
| Government remittances receivable | <u>10,017</u> | <u>6,242</u> |
| TOTAL ASSETS | <u><u>747,796</u></u> | <u><u>1,326,914</u></u> |
| | <u>LIABILITIES AND NET ASSETS</u> | |
| LIABILITIES | | |
| Due to St. Thomas-Elgin General Hospital (Note 6) | 712,118 | 1,623,407 |
| Accounts payable and accrued liabilities | <u>24,762</u> | <u>34,304</u> |
| | 736,880 | 1,657,711 |
| Deferred revenues (Note 8) | <u>18,987</u> | <u>-</u> |
| | <u><u>755,867</u></u> | <u><u>1,657,711</u></u> |
| NET ASSETS | | |
| Unrestricted net assets | 361,045 | 405,454 |
| Restricted net assets | 351,572 | 307,264 |
| Endowment net assets | 120,218 | 118,470 |
| Capital net assets (Note 3) | <u>(840,906)</u> | <u>(1,161,985)</u> |
| | <u><u>(8,071)</u></u> | <u><u>(330,797)</u></u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>747,796</u></u> | <u><u>1,326,914</u></u> |

On behalf of the Board:


Director


Director

See accompanying notes to the financial statements

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION
Statement of Fund Operations and Changes in Net Assets
For The Year Ended March 31, 2019

| | 2019 | 2018 |
|---|------------------|---------------------|
| | Total Funds | Total Funds |
| | \$ | \$ |
| REVENUES | | |
| Leadership/ Individual | 485,712 | 1,834,651 |
| Foundation events | 100 | 147,081 |
| Direct Marketing | 162,968 | 156,356 |
| Community events | 47,731 | 119,810 |
| Memoriam giving | 76,699 | 144,444 |
| Legacy giving | 59,523 | 392,059 |
| Investment income | 5,583 | 77,428 |
| Grant writing | <u>4,981</u> | <u>-</u> |
| | <u>843,297</u> | <u>2,871,829</u> |
| | <u>1,748</u> | <u>2,214,741</u> |
| | <u>973,326</u> | <u>963,326</u> |
| | <u>396,370</u> | <u>1,510,919</u> |
| | <u>61,881</u> | <u>233,206</u> |
| | <u>15,400</u> | <u>178,368</u> |
| | <u>63,676</u> | <u>111,407</u> |
| | <u>15,950</u> | <u>92,649</u> |
| | <u>870</u> | <u>70,393</u> |
| | <u>5,487</u> | <u>12,818</u> |
| | <u>-</u> | <u>4,981</u> |
| | <u>1,748</u> | <u>1,748</u> |
| | <u>341,164</u> | <u>394,453</u> |
| | <u>55,206</u> | <u>158,096</u> |
| | <u>55,206</u> | <u>248,082</u> |
| | <u>567,493</u> | <u>800,631</u> |
| | <u>275,804</u> | <u>1,592,042</u> |
| | <u>307,264</u> | <u>2,071,198</u> |
| | <u>307,264</u> | <u>9,106,997</u> |
| | <u>(296,856)</u> | <u>(1,508,992)</u> |
| | <u>351,572</u> | <u>(330,797)</u> |
| | <u>120,218</u> | <u>(1,269,316)</u> |
| | <u>(840,906)</u> | <u>(8,071)</u> |
| EXPENDITURES | | |
| Salaries and benefits | 402,061 | 394,453 |
| Indirect operating costs | 112,710 | 158,096 |
| Direct fundraising costs | <u>52,722</u> | <u>248,082</u> |
| | <u>567,493</u> | <u>800,631</u> |
| EXCESS OF REVENUES OVER EXPENDITURE | <u>275,804</u> | <u>2,071,198</u> |
| NET ASSETS, BEGINNING OF YEAR | <u>405,454</u> | <u>9,106,997</u> |
| Distributions to the St. Thomas Elgin General Hospital (Note 9) | <u>(320,213)</u> | <u>(11,508,992)</u> |
| NET ASSETS, END OF YEAR | <u>361,045</u> | <u>(330,797)</u> |

See accompanying notes to the financial statements.

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

Statement of Cash Flows For The Year Ended March 31, 2019

| | 2019 | 2018 |
|--|-----------------------|-------------------------|
| | <u>\$</u> | <u>\$</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Excess of revenue over expenditures | <u>1,592,042</u> | <u>2,071,198</u> |
| Changes in non-cash working capital: | | |
| Prepaid expenses | (7,601) | (4,490) |
| Planned gifts | 23,809 | (1,190) |
| Government remittances receivable | (3,775) | 497 |
| Due to The St. Thomas Elgin General Hospital | (911,289) | 1,458,611 |
| Accounts payable and accrued liabilities | (9,541) | 3,509 |
| Deferred revenue | <u>18,987</u> | <u>-</u> |
| | <u>702,632</u> | <u>3,528,135</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net withdrawal of investments | <u>-</u> | <u>7,306,416</u> |
| DISTRIBUTIONS TO THE ST. THOMAS ELGIN GENERAL HOSPITAL (NOTE 9) | <u>(1,269,316)</u> | <u>(11,508,992)</u> |
| NET DECREASE IN CASH | (566,685) | (674,441) |
| CASH, BEGINNING OF YEAR | <u>1,264,989</u> | <u>1,939,430</u> |
| CASH, END OF YEAR | <u><u>698,304</u></u> | <u><u>1,264,989</u></u> |

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

Notes to the Financial Statements For The Year Ended March 31, 2019

NATURE OF ORGANIZATION

The St. Thomas Elgin General Hospital Foundation (Foundation) was incorporated under the Corporations Act (Ontario) without share capital on March 13, 1985. The purpose of the Foundation is to establish and maintain a fund or funds and to apply from time to time all or part thereof and the income therefrom for the purposes of The St. Thomas Elgin General Hospital (Hospital). The Foundation qualifies for income tax-exempt status as a registered charity under the Canadian Income Tax Act.

1. ECONOMIC INTEREST

The Hospital has an economic interest in the Foundation in that the purpose of the Foundation is to establish a fund for the purpose of the Hospital, and to assist the Hospital to acquire new equipment, upgrade its physical facilities and support educational programs.

The functions of the Foundation are to inform the Foundation's donors and general community about the hospital's capital project needs, conduct fund-raising programs, recognize donors and ensure proper management and allocation of donated funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Use of Estimates

The preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

Fund Accounting

The accounts are maintained in accordance with the principles of fund accounting. Under these principles, resources are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. The organization uses the following fund groups:

- (i) The Unrestricted Fund accounts for the receipt and expenditure of donations or bequests that are not specifically designated to a program or project.
- (ii) The Restricted Fund accounts for the receipt and expenditure of donations or bequests that have been restricted by the donor.

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

Notes to the Financial Statements For The Year Ended March 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

- (iii) The Endowment Fund accounts for the receipt of donations or bequests that have been endowed by the donor.
- (iv) The Capital Fund accounts for the receipt and expenditure of donations or bequests that have been restricted to the capital fundraising campaign.

When the Foundation has pledged a specific level of financial support towards a particular Hospital expenditure, the related liability to the Hospital is recognized by the Foundation at the time the Hospital is invoiced.

Revenue Recognition

The organization follows the restricted fund method of accounting for contributions. Donations made specifically to offset future operating expenses are deferred and recognized as revenue as the expenses are incurred. 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. Specifically, the organization recognizes revenue from donations when they are received, and interest revenue from investments when accrued.

Planned gifts

Planned gifts consist of a Life Insurance Policy, an Annuity and a Charitable Remainder Trust (CRT).

When the Foundation is named owner and beneficiary of a donated life insurance policy, the Foundation records the cash surrender value. Annual premiums paid by the donor are recorded as revenue and also increase the asset value.

An Annuity is a contract arranged by a donor with the financial corporation. The financial corporation then makes fixed dollar payments to the charitable organization for the term of the contract. The financial corporation guarantees both the earnings and the principle. The value of all future payments are recorded as a receivable.

A CRT is an arrangement whereby a donor places a principal sum of money into an irrevocable trust and income from the CRT is paid to the donor by the trust company. The principal is vested with the Foundation fully and unconditionally and upon the donor's death, the Foundation will receive the principal proceed. The present value of the principal sum of the CRT is recorded as an asset and revenue. During the lifetime of the donor, the change in value of the CRT is recorded as an increase to the asset and as revenue.

Gifts in kind

The value of gifts in kind are recorded at fair market value when they are received.

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

Notes to the Financial Statements For The Year Ended March 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The organization recognizes its transaction costs in excess of revenue over expenditures in the period incurred.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include term planned gifts.

Financial liabilities measured at amortized cost include due to St. Thomas Elgin General Hospital and accrued liabilities.

Financial assets measured at fair value include cash, and short-term investments as they are quoted in an active market.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenue over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenditures.

3. CAPITAL FUND SUPPORT OF THE GREAT EXPANSION

The Foundation had a substantial appeal to support the "Great Expansion" with a fundraising goal of \$16,000,000. Completion of the project occurred during the 2018 fiscal year. Towards this goal, during 2019 the Foundation distributed \$652,247 (Note 9), in addition to the \$14,345,636 distributed in 2016, 2017 and 2018. The negative net assets for the Capital Fund is a result of the timing between the incurrence of the expense versus the receipt of the future donations pledged as detailed in Note 4.

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

**Notes to the Financial Statements
For The Year Ended March 31, 2019**

4. DONATION PLEDGES

As at March 31, 2019, an amount of \$3,444,175 (2018 - \$3,924,594) has been pledged as future donations to the Foundation. These pledges will be recorded as donation revenue as they are received. The donors have pledged to pay these amounts over several years, as follows:

| | \$ |
|-----------------|-----------|
| 2020 | 1,136,750 |
| 2021 | 810,425 |
| 2022 | 803,000 |
| 2023 | 532,000 |
| 2024 and beyond | 162,000 |

5. PLANNED GIFTS

| | <u>2019</u> | | | | 2018 |
|----------------------------|---------------------|-------------------|------------------|---------------|---------------|
| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Endowment</u> | <u>Total</u> | <u>Total</u> |
| Life Insurance Policy | 27,384 | - | - | 27,384 | 26,193 |
| Charitable Remainder Trust | - | - | - | - | 25,000 |
| | <u>27,384</u> | <u>-</u> | <u>-</u> | <u>27,384</u> | <u>51,193</u> |

6. DUE TO THE ST. THOMAS ELGIN GENERAL HOSPITAL

The amount owing to the Hospital at year end consists of the following:

| | <u>2019</u> | <u>2018</u> |
|--|--------------------|--------------------|
| Balance, beginning of year | 1,623,407 | 164,796 |
| Additional liability recognized to the Hospital: | | |
| Unrestricted fund | 963,301 | 184,040 |
| Capital fund | 652,247 | 11,045,601 |
| Restricted fund | 279,186 | 137,301 |
| Less: funds transferred to the Hospital | <u>(2,806,023)</u> | <u>(9,908,331)</u> |
| | <u>712,118</u> | <u>1,623,407</u> |

7. INTERFUND RECEIVABLE/PAYABLE

| | <u>2019</u> | | | | | 2018 |
|------------|---------------------|-------------------|------------------|------------------|------------------|------------------|
| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Endowment</u> | <u>Capital</u> | <u>Total</u> | <u>Total</u> |
| Receivable | - | 351,572 | 120,218 | - | 471,790 | 761,689 |
| Payable | <u>(232,931)</u> | - | - | <u>(238,859)</u> | <u>(471,790)</u> | <u>(761,689)</u> |
| | <u>(232,931)</u> | <u>351,572</u> | <u>120,218</u> | <u>(238,859)</u> | <u>-</u> | <u>-</u> |

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

**Notes to the Financial Statements
For The Year Ended March 31, 2019**

8. DEFERRED REVENUES

During the year, the organization received sponsorship deposits related to future expenses and donations which have been deferred and will be recognized as revenue when the event takes place.

| | 2019 | 2018 |
|-------------------|----------------------|-----------------|
| | <u>\$</u> | <u>\$</u> |
| Divine Night Out | 15,987 | - |
| Harvest Moon Gala | <u>3,000</u> | <u>-</u> |
| | <u>18,987</u> | <u>-</u> |

9. DISTRIBUTIONS TO THE ST. THOMAS ELGIN GENERAL HOSPITAL

| | <u>2019</u> | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Capital</u> | <u>Total</u> |
| Beds | 112,190 | - | - | 112,190 |
| Bladder scanner | 8,731 | 4,000 | - | 12,731 |
| Cardiology machine | - | 17,657 | - | 17,657 |
| Ceiling lifts | 8,696 | 60,819 | - | 69,515 |
| ECT machine | - | 25,043 | - | 25,043 |
| Gifts in Kind | 2,475 | 17,670 | - | 20,145 |
| Great Expansion | - | - | 652,247 | 652,247 |
| ICU equipment | 15,620 | 53,112 | - | 68,732 |
| Mammography machine | 151,417 | - | - | 151,417 |
| Medical Student | 6,000 | - | - | 6,000 |
| Other equipment | 15,084 | 101,906 | - | 116,990 |
| Orthopaedic equipment | <u>-</u> | <u>16,649</u> | <u>-</u> | <u>16,649</u> |
| | <u>320,213</u> | <u>296,856</u> | <u>652,247</u> | <u>1,269,316</u> |

Distributions to the St. Thomas Elgin General Hospital in the previous fiscal year totaled \$11,508,992.

ST. THOMAS ELGIN GENERAL HOSPITAL FOUNDATION

Notes to the Financial Statements For The Year Ended March 31, 2019

10. FINANCIAL INSTRUMENTS

Risks and Concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the balance sheet date.

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 organization is mainly exposed to interest rate risk.

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 organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments.

The organization is not subject to any financial institution's covenants.