

Financial Statements of

**ORILLIA SOLDIERS' MEMORIAL
HOSPITAL FOUNDATION**

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of
Orillia Soldiers' Memorial Hospital Foundation

Opinion

We have audited the financial statements of Orillia Soldiers' Memorial Hospital Foundation (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, 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 responsibility under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.



Responsibility of Management 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 Entity'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 Entity or to cease operations or has no realistic alternative but to do so.

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 auditors' 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 the 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 risk 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, internal 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 purposes of expressing an opinion on the effectiveness of the Entity'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 the events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity's 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 26, 2019

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	General Fund	Restricted Fund	Endowment Funds	2019	2018
Assets					
Cash (note 2)	\$ 1,529,846	-	2,960	1,532,806	852,524
Accounts receivable	211,932	-	-	211,932	1,224,577
Prepaid expenses	30,189	-	-	30,189	16,785
	1,771,967	-	2,960	1,774,927	2,093,886
Investments (note 3)	2,644,134	-	2,081,504	4,725,638	4,486,079
Capital assets (note 4)	481,473	-	-	481,473	498,419
Due (to) from general fund (note 5)	(1,739,759)	1,739,759	-	-	-
	\$ 3,157,815	1,739,759	2,084,464	6,982,038	7,078,384

Liabilities and Fund Balances

Current liabilities:

Accounts payable and accrued liabilities	\$ 26,061	-	-	26,061	5,400
Deferred revenue	82,756	-	-	82,756	55,657
Payable to Orillia Soldiers' Memorial Hospital (note 6)	972,065	-	-	972,065	1,454,318
	1,080,882	-	-	1,080,882	1,515,375

Fund balances:

Externally restricted	-	1,739,759	2,084,464	3,824,223	4,020,004
Unrestricted	2,076,933	-	-	2,076,933	1,543,005
	2,076,933	1,739,759	2,084,464	5,901,156	5,563,009

	\$ 3,157,815	1,739,759	2,084,464	6,982,038	7,078,384
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See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2019, with comparative information for 2018

	2019		2018		Endowment Funds						2019	2018		
	General Fund		Restricted Fund		Education		Family Practice		Designated				Total	Total
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018				
Revenue:														
Donations	\$ 739,903	640,953	1,497,570	2,556,347	10,054	37,908	-	-	-	40	2,247,527	3,235,248		
Bequests	1,007,319	516,656	-	-	-	-	-	-	-	-	1,007,319	516,656		
Investment income	112,646	71,765	-	-	68,095	7,982	5,070	636	39,064	4,301	224,875	84,684		
Special events	235,644	234,971	-	-	-	-	-	-	-	-	235,644	234,971		
Rental income	20,713	24,326	-	-	-	-	-	-	-	-	20,713	24,326		
	2,116,225	1,488,671	1,497,570	2,556,347	78,149	45,890	5,070	636	39,064	4,341	3,736,078	4,095,885		
Expenses:														
General and office	18,512	14,564	-	-	-	-	-	-	-	-	18,512	14,564		
Investment management	-	-	-	-	6,801	6,243	499	490	3,920	3,391	11,220	10,124		
Promotion, advertising and marketing	30,202	30,476	-	-	-	-	-	-	-	-	30,202	30,476		
Insurance	7,526	7,332	-	-	-	-	-	-	-	-	7,526	7,332		
Legal, accounting and professional fees	29,885	35,696	-	-	-	-	-	-	-	-	29,885	35,696		
Meeting, education, dues and travel	33,523	22,019	-	-	-	-	-	-	-	-	33,523	22,019		
Wages and benefits	604,435	631,202	-	-	-	-	-	-	-	-	604,435	631,202		
Campaign	61,732	30,277	-	-	-	-	-	-	-	-	61,732	30,277		
Property and occupancy	22,000	21,210	-	-	-	-	-	-	-	-	22,000	21,210		
Special events	56,267	76,609	-	-	-	-	-	-	-	-	56,267	76,609		
Direct mail	52,408	47,174	-	-	-	-	-	-	-	-	52,408	47,174		
Donations - other	29,810	24,814	-	12,500	9,500	-	-	-	-	-	39,310	37,314		
Amortization of capital assets	22,452	24,369	-	-	-	-	-	-	-	-	22,452	24,369		
	968,752	965,742	-	12,500	16,301	6,243	499	490	3,920	3,391	989,472	988,366		
Transfer to Orillia Soldiers' Memorial Hospital	(703,371)	(425,194)	(1,579,298)	(1,887,886)	(6,573)	(15,727)	(1,500)	-	-	-	(2,290,742)	(2,328,807)		
Transfer to other charity	-	(50,000)	-	-	-	-	-	-	-	-	-	(50,000)		
Adjustment to prior year donation	-	-	(116,091)	-	-	-	-	-	-	-	(116,091)	-		
Loss on disposal of capital assets	(1,626)	(165)	-	-	-	-	-	-	-	-	(1,626)	(165)		
Excess (deficiency) of revenue over expenses	442,476	47,570	(197,819)	655,961	55,275	23,920	3,071	146	35,144	950	338,147	728,547		
Fund balances, beginning of year	1,543,005	858,123	2,212,692	2,178,316	1,121,653	1,109,212	87,961	87,503	597,698	601,308	5,563,009	4,834,462		
Interfund transfers (note 7)	91,452	637,312	(275,114)	(621,585)	81,437	(11,479)	231	312	101,994	(4,560)	-	-		
Fund balances, end of year	\$ 2,076,933	1,543,005	1,739,759	2,212,692	1,258,365	1,121,653	91,263	87,961	734,836	597,698	5,901,156	5,563,009		

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ 338,147	728,547
Adjustments for:		
Loss on disposal of capital assets	1,626	165
Amortization of capital assets	22,452	24,369
Unrealized loss (gain) on investments	109,498	(5,173)
	471,723	747,908
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	1,012,645	(1,017,779)
Decrease (increase) in prepaid expenses	(13,404)	1,121
Decrease (increase) in accounts payable and accrued liabilities	20,661	(11,075)
Increase (decrease) in deferred revenue	27,099	(39,931)
Decrease in payable to Orillia Soldiers' Memorial Hospital	(482,253)	(163,411)
	1,036,471	(483,167)
Investing activities:		
Decrease (increase) in investments	(349,057)	927,410
Proceeds from sale of capital assets	300	-
Purchase of capital assets	(7,432)	(8,912)
	(356,189)	918,498
Net increase in cash	680,282	435,331
Cash, beginning of year	852,524	417,193
Cash, end of year	\$ 1,532,806	852,524

See accompanying notes to financial statements.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

The Orillia Soldiers' Memorial Hospital Foundation (the "Foundation") was incorporated without share capital under the laws of Ontario. The Foundation is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

The Foundation is principally involved in raising funds for the benefit of the Orillia Soldiers' Memorial Hospital. The fund balances and operations of the Foundation are ultimately for the benefit of the Orillia Soldiers' Memorial Hospital. The Foundation is an independent legal entity from the Hospital and therefore these financial statements have not been consolidated with the Hospital.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting. The Foundation's significant accounting policies are as follows:

(a) Basis of presentation:

In order to ensure observance and restrictions placed on the use of resources, the accounts are maintained in accordance with the principles of fund accounting.

The General Fund accounts for the Foundation's program delivery, fundraising and administrative activities. This fund reports unrestricted resources.

The Restricted Fund reports resources that are to be used for designated purposes specified by the donor.

The Endowment Fund reports resources contributed for endowment. Investment income earned on resources of the Endowment Fund is reported as income of the Fund.

- (i) The Education Endowment Fund has been established to support staff, physician and general education for Orillia Soldiers' Memorial Hospital. The education endowment categories are the Linda Lewis, Brian McGugan, Michael "Keyman" McParland, Sheila MacFeeters, Reid Family Scholarship and general use.
- (ii) The Dr. A. Charles Baillie & Mr. Wm. A. Hume Family Practice Fund has been established for the purpose of supporting physician recruitment.
- (iii) The Designated Endowment Fund has been established to support various programs within the hospital in memory of Aidan and Brent Hammill, Rosemary and Brian Turnbull and Donald Kendall.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

1. Significant accounting policies (continued):

(b) Revenue recognition:

The financial statements are prepared according to the restricted fund method of accounting. Under this method, the following principles have been applied.

- Contributions are recorded as revenue in the respective funds based on their nature, source and the restrictions stipulated by the donor.
- Contributions including pledges and donations are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.
- In-kind donations are recorded at their appraised value.

(c) Contributed services:

Contributions of services are not recognized in the financial statements.

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are amortized on a straight-line basis over their estimated useful life as follows:

	Estimated Useful Lives - Years
Buildings	25
Computer equipment	3
Computer software	2
Furniture and equipment	10

(e) Use of estimates:

The preparation of the financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates. These estimates are reviewed annually, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

1. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry its investments at fair value. Fair value is determined at quoted market prices.

Sales and purchases of financial instruments are recorded on the settlement date. Transaction costs incurred on the acquisition of financial instruments are expensed as incurred.

2. Cash:

The Foundation's bank accounts are held at one chartered bank. The bank accounts earn interest at a variable rate.

3. Investments:

Investments consist of:

	2019		2018	
	Cost	Market Value	Cost	Market Value
Guaranteed investment certificates	\$ 2,616,675	2,616,675	2,683,710	2,684,233
Equity	2,191,002	2,081,504	1,776,447	1,781,097
Accrued interest	27,459	27,459	20,749	20,749
	\$ 4,835,136	4,725,638	4,480,906	4,486,079

The guaranteed investment certificates earn interest at rates ranging from 2.20% to 3.15% and mature between 2019 and 2020.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

4. Capital assets:

	2019		
	Cost	Accumulated amortization	Net book value
Land	\$ 175,000	\$ –	\$ 175,000
Buildings	454,607	162,523	292,084
Computer equipment	46,448	43,900	2,548
Furniture and equipment	26,124	14,283	11,841
Computer software	21,798	21,798	–
	<u>\$ 723,977</u>	<u>\$ 242,504</u>	<u>\$ 481,473</u>

	2018		
	Cost	Accumulated amortization	Net book value
Land	\$ 175,000	\$ –	\$ 175,000
Buildings	452,685	144,135	308,550
Computer equipment	44,066	43,100	966
Furniture and equipment	30,494	16,591	13,903
Computer software	21,798	21,798	–
	<u>\$ 724,043</u>	<u>\$ 225,624</u>	<u>\$ 498,419</u>

5. Due (to) from General Fund

The due (to) from General Fund represent the portion of investments relating to Restricted Fund. As the Foundation does not segregate investments between the General Fund and Restricted Fund, the amount of Restricted Fund investments is shown as a receivable from the General Fund.

6. Related party transactions:

The Foundation receives and maintains funds to provide for education, research and the enhancements of facilities and services at Orillia Soldiers' Memorial Hospital. During the year, the Foundation transferred \$2,290,742 (2018 - \$2,328,807) to the Orillia Soldiers' Memorial Hospital.

At year end, there was a balance of \$972,065 (2018 - \$1,454,318) due to Orillia Soldiers' Memorial Hospital.

The Foundation provides the Orillia Soldiers' Memorial Hospital with office space and equipment free of charge. The fair market value of such space is \$20,074 (2018 - \$21,126).

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2019

7. Interfund transfers:

Interfund transfers represent donations and other revenues transferred between the General Fund, Restricted Fund and Endowment Funds, net of internal cost allocations and other adjustments.

8. Financial risk and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to credit risk with respect to the accounts receivable. The Foundation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2018.

(c) Interest rate risk:

The Foundation is not exposed to any significant interest rate risk.

9. Capital disclosures:

The Foundation considers its capital to be its fund balances, including general, restricted and endowment fund balances. The Foundation receives externally restricted donations from numerous donors to be used for specific purposes. These funds are maintained and disbursed under the terms of the relevant funding restrictions and management is responsible for adhering to the provisions of these restrictions.

In managing its capital, the Foundation's primary objective is to fundraise in support of Orillia Soldiers' Memorial Hospital in order to safeguard its ability to continue as a going concern so it can continue to fulfill its mandate. The Foundation has developed specific investment policies to maintain its capital based on the intended purpose of the funds. In addition, annual budgets are developed and monitored to ensure the capital of the Foundation is maintained at an appropriate level.