

Financial Statements of

**ORILLIA SOLDIERS' MEMORIAL
HOSPITAL FOUNDATION**

And Independent Auditors' Report thereon

Year ended March 31, 2020



KPMG LLP
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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, 2020
- 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, 2020, 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.



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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.



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- 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 24, 2020

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	General Fund	Restricted Fund	Endowment Funds	2020	2019
Assets					
Cash (note 2)	\$ 1,814,264	-	127,403	\$ 1,941,667	\$ 1,532,806
Accounts receivable	222,861	-	-	222,861	211,932
Prepaid expenses	21,441	-	-	21,441	30,189
	2,058,566	-	127,403	2,185,969	1,774,927
Investments (note 3)	2,711,811	-	2,089,958	4,801,769	4,725,638
Capital assets (note 4)	584,327	-	-	584,327	481,473
Due (to) from general fund (note 5)	(2,701,033)	2,701,033	-	-	-
	\$ 2,653,671	2,701,033	2,217,361	\$ 7,572,065	\$ 6,982,038

Liabilities and Fund Balances

Current liabilities:

Accounts payable and accrued liabilities	\$ 19,452	-	-	\$ 19,452	\$ 26,061
Deferred revenue	3,100	-	-	3,100	82,756
Payable to Orillia Soldiers' Memorial Hospital (note 6)	258,735	-	-	258,735	972,065
	281,287	-	-	281,287	1,080,882

Fund balances:

Externally restricted	-	2,701,033	2,217,361	4,918,394	3,824,223
Unrestricted	2,372,384	-	-	2,372,384	2,076,933
	2,372,384	2,701,033	2,217,361	7,290,778	5,901,156

COVID-19 Pandemic (note 11)

	\$ 2,653,671	2,701,033	2,217,361	\$ 7,572,065	\$ 6,982,038
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See accompanying notes to financial statements.

On behalf of the Board:


David Power (Jan 30, 2019 12:40:07)

Director


David Power (Jan 30, 2019 12:40:07)

Director

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2020, with comparative information for 2019

	2020		2019		Endowment Funds							
	General Fund		Restricted Fund		Education		Family Practice		Designated		Total	Total
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue:												
Donations	\$ 707,080	739,903	1,832,282	1,497,570	9,187	10,054	-	-	149,373	-	\$ 2,697,922	\$ 2,247,527
Bequests	333,593	1,007,319	-	-	-	-	-	-	-	-	333,593	1,007,319
Investment income	93,489	112,646	-	-	43,461	131,055	3,189	9,505	31,500	81,168	171,639	334,374
Special events	227,383	235,644	-	-	-	-	-	-	-	-	227,383	235,644
Rental income	18,209	20,713	-	-	-	-	-	-	-	-	18,209	20,713
	1,379,754	2,116,225	1,832,282	1,497,570	52,648	141,109	3,189	9,505	180,873	81,168	3,448,746	3,845,577
Expenses:												
General and office	17,128	18,512	-	-	-	-	-	-	-	-	17,128	18,512
Investment management	-	-	-	-	7,192	6,801	520	499	4,869	3,920	12,581	11,220
Promotion, advertising and marketing	39,975	30,202	-	-	-	-	-	-	-	-	39,975	30,202
Insurance	7,507	7,526	-	-	-	-	-	-	-	-	7,507	7,526
Legal, accounting and professional fees	20,739	29,885	-	-	-	-	-	-	-	-	20,739	29,885
Meeting, education, dues and travel	31,896	33,523	-	-	-	-	-	-	-	-	31,896	33,523
Wages and benefits	622,144	604,435	-	-	-	-	-	-	-	-	622,144	604,435
Campaign	49,728	61,732	-	-	-	-	-	-	-	-	49,728	61,732
Property and occupancy	31,973	22,000	-	-	-	-	-	-	-	-	31,973	22,000
Special events	56,405	56,267	-	-	-	-	-	-	-	-	56,405	56,267
Direct mail	63,922	52,408	-	-	-	-	-	-	-	-	63,922	52,408
Donations - other	45,642	29,810	-	-	-	9,500	-	-	-	-	45,642	39,310
Amortization of capital assets	30,322	22,452	-	-	-	-	-	-	-	-	30,322	22,452
	1,017,381	968,752	-	-	7,192	16,301	520	499	4,869	3,920	1,029,962	989,472
Excess of revenue over expenses before undernoted items	362,373	1,147,473	1,832,282	1,497,570	45,456	124,808	2,669	9,006	176,004	77,248	2,418,784	2,856,105
Other items:												
Transfer to Orillia Soldiers' Memorial Hospital	(174,620)	(703,371)	(607,090)	(1,579,298)	(7,123)	(6,573)	-	(1,500)	-	-	(788,833)	(2,290,742)
Unrealized investment loss	(81)	-	-	-	(134,191)	(62,960)	(9,702)	(4,435)	(95,574)	(42,104)	(239,548)	(109,499)
Adjustment to prior year donation	-	-	-	(116,091)	-	-	-	-	-	-	-	(116,091)
Loss on disposal of capital assets	(781)	(1,626)	-	-	-	-	-	-	-	-	(781)	(1,626)
Excess (deficiency) of revenue over expenses	186,891	442,476	1,225,192	(197,819)	(95,858)	55,275	(7,033)	3,071	80,430	35,144	1,389,622	338,147
Fund balances, beginning 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
Interfund transfers (note 7)	108,560	91,452	(263,918)	(275,114)	(2,247)	81,437	347	231	157,258	101,994	-	-
Fund balances, end of year	\$ 2,372,384	2,076,933	2,701,033	1,739,759	1,160,260	1,258,365	84,577	91,263	972,524	734,836	\$ 7,290,778	\$ 5,901,156

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 1,389,622	\$ 338,147
Adjustments for:		
Gain on disposal of capital assets	781	1,626
Amortization of capital assets	30,322	22,452
Unrealized gain (loss) on investments	(239,548)	109,498
	1,181,177	471,723
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	(10,929)	1,012,645
Decrease (increase) in prepaid expenses	8,748	(13,404)
Decrease (increase) in accounts payable and accrued liabilities	(6,609)	20,661
Increase (decrease) in deferred revenue	(79,656)	27,099
Decrease in payable to Orillia Soldiers' Memorial Hospital	(713,330)	(482,253)
	379,401	1,036,471
Investing activities:		
Increase (decrease) in investments	163,417	(349,057)
Proceeds from sale of capital assets	-	300
Purchase of capital assets	(133,957)	(7,432)
	29,460	(356,189)
Net increase in cash	408,861	680,282
Cash, beginning of year	1,532,806	852,524
Cash, end of year	\$ 1,941,667	\$ 1,532,806

See accompanying notes to financial statements.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

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, William Blair Ashmore, Rosemary and Brian Turnbull and Donald Kendall.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

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
Building improvements	10
Parking lot improvements	15
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, 2020

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:

	2020		2019	
	Cost	Market Value	Cost	Market Value
Guaranteed investment certificates	\$ 2,598,069	2,599,904	2,616,675	2,616,675
Equity and fixed income	2,418,030	2,176,647	2,191,002	2,081,504
Accrued interest	25,218	25,218	27,459	27,459
	\$ 5,041,317	4,801,769	4,835,136	4,725,638

The guaranteed investment certificates earn interest at rates ranging from 2.12% to 3.15% and mature between 2020 and 2021.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

4. Capital assets:

	2020		
	Cost	Accumulated amortization	Net book value
Land	\$ 175,000	\$ –	\$ 175,000
Buildings and parking lot improvements	568,723	187,974	380,749
Computer equipment	47,217	41,627	5,590
Furniture and equipment	39,785	16,797	22,988
Computer software	21,798	21,798	–
	<u>\$ 852,523</u>	<u>\$ 268,196</u>	<u>\$ 584,327</u>

	2019		
	Cost	Accumulated amortization	Net book value
Land	\$ 175,000	\$ –	\$ 175,000
Buildings and parking lot improvements	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>

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 support equipment, programs and education at Orillia Soldiers' Memorial Hospital. During the year, the Foundation transferred \$788,833 (2019 - \$2,290,742) to the Orillia Soldiers' Memorial Hospital.

At year end, there was a balance of \$258,735 (2019 - \$972,065) due to Orillia Soldiers' Memorial Hospital.

Until November 30, 2019, the Foundation provided the Orillia Soldiers' Memorial Hospital with office space and equipment free of charge. The fair market value of such space is \$8,845 (2019 - \$20,074).

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

6. Related party transactions (continued):

As of March 31, 2020, the Foundation has raised a total of \$2,200,000 in cash and commitments for a new CT scanner for Orillia Soldiers' Memorial Hospital, which includes \$587,689 in the current fiscal year. These funds will be held until the project begins and will be transferred to Orillia Solders' Memorial Hospital in stages.

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 2019.

(c) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Foundation's financial instruments are carried at fair value with fair value changes recognized in the statement of operations and changes in fund balances, all changes in market conditions will directly result in an increase (decrease) in the excess of revenue over expenses. Market price risk is managed by the Foundation through a diversified portfolio of instruments traded on various markets and across various industries.

(d) Interest rate risk:

Interest rate risk is the risk that the market value of the Foundation's investments will fluctuate due to changes in market interest rates. To properly manage the Foundation's interest rate risk, appropriate guidelines on the weighting of bonds and other fixed income investments are set and monitored. The Foundation's investments in fixed income are sensitive to interest rate movements.

ORILLIA SOLDIERS' MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

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.

10. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted for 2020.

11. COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Foundation implemented the following actions in relation to the COVID-19 pandemic:

- The closure of operations to the general public; and
- The implementation of working from home requirements for certain Foundation employees.

The Foundation's market risk has increased due to greater uncertainty in the valuation of financial assets arising from volatility in equity markets.

The Foundation is continually monitoring the impact of market volatility on its financial instruments and will make adjustments to investment strategies as required to reduce the risk on the Foundation's operations and financial position.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Foundation's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on the Foundation is not practicable at this time.









Audited financial statements

Final Audit Report

2020-07-01

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By:	LISA STANLEY (lisastanley@live.ca)
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