

Lakeshore General Hospital Foundation

Financial Statements March 31, 2023

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Independent Auditor's Report

To the Directors of
Lakeshore General Hospital Foundation

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Qualified opinion

We have audited the financial statements of Lakeshore General Hospital Foundation (hereafter "the Foundation"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to 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, 2023, 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 not-for-profit organizations, the Foundation derives revenue from donations from the general public and contributions to fund-raising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these contributions 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 donations from the general public and contributions to fund-raising events, excess (deficiency) of revenues over expenses and cash flows from operating activities for the years ended March 31, 2023 and 2022, current assets as at March 31, 2023 and 2022 and fund balances as at April 1, 2022 and 2021 and March 31, 2023 and 2022. Our opinion on the financial statements for the year ended March 31, 2022 was qualified 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 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 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.

Raymond Chabot Grant Thornton LLP¹

Montréal
August 30, 2023

¹ CPA auditor, public accountancy permit no. A119564

Lakeshore General Hospital Foundation

Operations

Year ended March 31, 2023

| | 2023 | | | 2022 |
|---|-----------------------|--------------------------|-------------------------|--------------------|
| | General Fund \$ | Restricted Fund \$ | Endowment Fund \$ | Total \$ |
| Revenues | | | | |
| Contributions | | | | |
| Donations from corporations and the general public | 696,834 | 344,288 | | 1,041,122 |
| Fund-raising events | 809,300 | | | 809,300 |
| Contributions in kind | 57,349 | 14,488 | | 71,837 |
| Municipal grants | 43,450 | | | 43,450 |
| Government assistance | | | | 75,631 |
| Other activities | 5,968 | | | 5,968 |
| Net investment income (Note 4) | 308,630 | | | 130,904 |
| | 1,921,531 | 358,776 | – | 2,280,307 |
| Expenses | | | | |
| Direct mail campaign costs | 131,219 | | | 96,220 |
| Fund-raising events | 356,497 | | | 115,916 |
| In kind | 51,283 | 1,785 | | 53,068 |
| Salaries and benefits | 653,773 | | | 694,515 |
| Purchased services | 49,859 | | | 34,318 |
| Office expenses | 31,982 | | | 20,593 |
| Credit card processing fees and bank charges | 26,136 | | | 15,196 |
| Amortization of tangible capital assets | | | | 596 |
| | 1,300,749 | 1,785 | – | 1,302,534 |
| Excess of revenues over expenses before grants to the Lakeshore General Hospital | 620,782 | 356,991 | – | 2,820,296 |
| Grants to the Lakeshore General Hospital | (34,727) | (102,712) | | (1,223,473) |
| Excess of revenues over expenses and grants | 586,055 | 254,279 | – | 1,596,823 |

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

Lakeshore General Hospital Foundation

Changes in Fund Balances

Year ended March 31, 2023

| | | | | 2023 | 2022 |
|---|------------------|--------------------|-------------------|-------------------|-------------------|
| | General Fund | Restricted Fund | Endowment Fund | Total | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Balance, beginning of year | 5,627,052 | 8,075,112 | 41,296 | 13,743,460 | 12,146,637 |
| Endowment contribution received from individual | | | 6,800 | 6,800 | |
| Excess of revenues over expenses and grants | 586,055 | 254,279 | | 840,334 | 1,596,823 |
| Balance, end of year | <u>6,213,107</u> | <u>8,329,391</u> | <u>48,096</u> | <u>14,590,594</u> | <u>13,743,460</u> |

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

Lakeshore General Hospital Foundation

Cash Flows

Year ended March 31, 2023

| | <u>2023</u> | <u>2022</u> |
|---|---------------------------|------------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenses and grants | 840,334 | 1,596,823 |
| Non-cash items | | |
| Donations of investments | (6,067) | (41,613) |
| Increase in cash surrender value of life insurance policies | (12,704) | (1,685) |
| Amortization of tangible capital assets | | 596 |
| Changes in fair value of investments | 251 | 2,629 |
| | <u>821,814</u> | <u>1,556,750</u> |
| Changes in working capital items | | |
| Contributions receivable and other receivables | (93,670) | 320,116 |
| Prepaid expenses | (8,039) | (968) |
| Trade payables and other operating liabilities | (32,833) | (732,720) |
| Deferred contributions | 3,772 | (7,640) |
| Cash flows from operating activities | <u>691,044</u> | <u>1,135,538</u> |
| INVESTING ACTIVITIES | | |
| Term deposits | (9,150,053) | (9,350,230) |
| Proceeds from disposal of term deposits | 7,160,871 | 9,336,510 |
| Proceeds from disposal of money market funds | | 378,000 |
| Proceeds from disposal of investments received as donations | 5,816 | 38,884 |
| Cash flows from investing activities | <u>(1,983,366)</u> | <u>403,164</u> |
| FINANCING ACTIVITIES | | |
| Endowment contribution and cash flows from financing activities | 6,800 | |
| Net increase (decrease) in cash | <u>(1,285,522)</u> | <u>1,538,702</u> |
| Cash, beginning of year | 1,913,960 | 375,258 |
| Cash, end of year | <u>628,438</u> | <u>1,913,960</u> |

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

Lakeshore General Hospital Foundation Financial Position

March 31, 2023

| | 2023 | | | 2022 |
|--|--------------|-----------------|----------------|------------|
| | General Fund | Restricted Fund | Endowment Fund | Total |
| | \$ | \$ | \$ | \$ |
| ASSETS | | | | |
| Current | | | | |
| Cash | 628,438 | | | 1,913,960 |
| Contributions receivable and other receivables (Note 3) | 135,629 | | | 41,959 |
| Prepaid expenses | 47,259 | | | 39,220 |
| Interfund receivable, without interest | | 8,297,464 | | |
| | 811,326 | 8,297,464 | – | 1,995,139 |
| Long-term | | | | |
| Investments (Note 4) | 13,717,708 | | 48,096 | 11,776,622 |
| Tangible capital assets (Note 5) | 93,281 | | | 93,281 |
| Cash surrender value of a life insurance policy, at redeemable value | | 35,963 | | 23,259 |
| | 14,622,315 | 8,333,427 | 48,096 | 13,888,301 |
| LIABILITIES | | | | |
| Current | | | | |
| Trade payables and other operating liabilities (Note 6) | | | | |
| Grants payable to the Lakeshore General Hospital | 23,101 | | | 52,513 |
| Other | 65,471 | | | 68,892 |
| Deferred contributions (Note 7) | 23,172 | 4,036 | | 23,436 |
| Interfund payable, without interest | 8,297,464 | | | |
| | 8,409,208 | 4,036 | – | 144,841 |
| FUND BALANCES | | | | |
| Externally restricted | | 8,329,391 | 48,096 | 8,116,408 |
| Invested in capital assets | 93,281 | | | 93,281 |
| Unrestricted | 6,119,826 | | | 5,533,771 |
| | 6,213,107 | 8,329,391 | 48,096 | 13,743,460 |
| | 14,622,315 | 8,333,427 | 48,096 | 13,888,301 |

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

On behalf of the Board,

Director

Director

Lakeshore General Hospital Foundation

Notes to Financial Statements

March 31, 2023

1 - GOVERNING STATUTES AND PURPOSE OF THE FOUNDATION

The Foundation, incorporated under the Canada Not-for-profit Corporations Act, is a registered not-for-profit organization under the Income Tax Act. The principal purpose of the Foundation is to raise funds for equipment needs of the Lakeshore General Hospital (hereafter "the Hospital").

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Foundation's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's knowledge of current events and actions that the Foundation may undertake in the future. Actual results may differ from these estimates.

Fund accounting

Assets, liabilities, revenues and expenses relating to fund-raising events and administrative activities are reported in the General Fund.

Assets, liabilities, revenues and expenses relating to resources restricted by donors to specific medical programs or services, or for the purchase of specific medical equipment are reported in the Restricted Fund.

The Endowment Fund presents resources received as endowments.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Foundation's financial assets and liabilities from transactions not concluded with related parties and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. The Foundation's financial assets and liabilities from related party transactions are measured at cost.

Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value and those relating to financial assets and liabilities from related party transactions are recognized in operations in the year they are incurred.

Lakeshore General Hospital Foundation

Notes to Financial Statements

March 31, 2023

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

Subsequent measurement

At each reporting date, the Foundation measures its financial assets and liabilities from transactions not concluded with related parties at amortized cost (including any impairment in the case of financial assets), except for investments in money market funds which are measured at fair value, whereas those from related party transactions are measured using the cost method (including any impairment in the case of financial assets).

Transaction costs relating to financial assets and liabilities that are measured at amortized cost and any difference resulting from their initial measurement at fair value are amortized on a straight-line basis over the term of the related financial instrument.

With respect to financial assets measured at amortized cost or using the cost method, the Foundation assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Foundation determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost or using the cost method is recognized in operations in the year the reversal occurs.

Revenue recognition

Contributions

The Foundation has adopted the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue in the General Fund using the deferral method, in the year in which the related expenses are incurred. Restricted contributions for which the Foundation does not have a related restricted fund are recognized in the General Fund using the deferral method.

Unrestricted contributions are recognized as revenue in the General Fund in the year they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions received as endowments are recognized as revenue in the Endowment Fund.

Since government assistance resulting from the Canada Emergency Wage Subsidy may be examined by the tax authorities, retroactive application clarifications were introduced after the program was announced and some rules may be interpreted differently by the tax authorities, it is possible that the amounts granted will differ from the amounts recorded.

Lakeshore General Hospital Foundation

Notes to Financial Statements

March 31, 2023

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Net investment income

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Net investment income includes interest income, income from the interest in net income of money market funds and changes in fair value.

Interest income is recognized on a time apportionment basis and dividend income is recognized when it is acquired by the Foundation. Income from the interest in net income of money market funds is recognized upon distribution. Changes in fair value are recognized when they occur.

With respect to investments measured at fair value, the Foundation has elected to exclude from changes in fair value the interest in net income of money market funds.

Contributed supplies and services

The Foundation recognizes contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

Tangible capital assets

Tangible capital assets acquired are recorded at cost. When the Foundation receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date plus all costs directly attributable to the acquisition of the tangible capital assets, or at a nominal value if fair value cannot be reasonably determined.

Amortization

Tangible capital assets are amortized over their estimated useful lives according to the straight-line method at the annual rate of 20%.

Write-down

When conditions indicate that a tangible capital asset is impaired, the net carrying amount of the tangible capital asset is written down to the tangible capital asset's fair value or replacement cost. The write-down is accounted for in the statement of operations and cannot be reversed.

Lakeshore General Hospital Foundation

Notes to Financial Statements

March 31, 2023

3 - CONTRIBUTIONS RECEIVABLE AND OTHER RECEIVABLES

| | <u>2023</u> | <u>2022</u> |
|--------------------------|----------------|---------------|
| | \$ | \$ |
| General Fund | | |
| Contributions receivable | 1,773 | 1,657 |
| Sales taxes receivable | 26,148 | 17,580 |
| Interest receivable | 107,708 | 22,722 |
| | <u>135,629</u> | <u>41,959</u> |

4 - INVESTMENTS

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| | \$ | \$ |
| General Fund | | |
| Term deposits, 4.25% to 5.25% (0.4% to 0.92% as at March 31, 2022), maturing until December 2025 | 13,664,389 | 9,354,154 |
| High interest bearing account | | 2,367,734 |
| Money market funds | 53,319 | 13,438 |
| | <u>13,717,708</u> | <u>11,735,326</u> |
| Endowment Fund | | |
| Money market funds | 48,096 | 41,296 |
| | <u>13,765,804</u> | <u>11,776,622</u> |

During the year, the Foundation received donations of investments having a fair value of \$6,068 (\$41,613 in 2022).

Net investment income consists of the following:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------|----------------|----------------|
| | \$ | \$ |
| General Fund | | |
| Interest income | 303,094 | 127,848 |
| Net income from money market funds | 5,787 | 5,685 |
| Changes in fair value of investments | (251) | (2,729) |
| | <u>308,630</u> | <u>130,804</u> |
| Endowment Fund | | |
| Changes in fair value of investments | | 100 |
| | <u>308,630</u> | <u>130,904</u> |

Lakeshore General Hospital Foundation

Notes to Financial Statements

March 31, 2023

5 - TANGIBLE CAPITAL ASSETS

| | | | 2023 | 2022 |
|--------------|---------------|-----------------------------|------------------------|------------------------|
| | Cost | Accumulated amortization | Net carrying amount | Net carrying amount |
| | \$ | \$ | \$ | \$ |
| General Fund | | | | |
| Land | 93,281 | | 93,281 | 93,281 |
| | 93,281 | - | 93,281 | 93,281 |

6 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

General Fund

Government remittances total \$14,884 as at March 31, 2023 (\$13,218 as at March 31, 2022).

7 - DEFERRED CONTRIBUTIONS

| | 2023 | 2022 |
|--|-----------------|----------|
| | \$ | \$ |
| General Fund | | |
| Balance, beginning of year | 19,400 | 27,040 |
| Amount recognized in revenues | (19,400) | (27,040) |
| Amount received relating to the following year | 23,172 | 19,400 |
| Balance, end of year | 23,172 | 19,400 |
| Restricted Fund | | |
| Balance, beginning of year | 4,036 | 4,036 |
| Amount recognized in revenues | - | - |
| Balance, end of year | 4,036 | 4,036 |

Deferred contributions represent unused resources which, as a result of external restrictions, are intended to cover operating expenses for the coming year.

8 - RELATED PARTY TRANSACTIONS

The Hospital has an economic interest in the Foundation as the Foundation's mission is to raise funds for the Hospital's equipment needs.

Transactions with the Hospital are measured at the exchange amount, excluding the resulting financial instruments.

Lakeshore General Hospital Foundation

Notes to Financial Statements

March 31, 2023

9 - FINANCIAL RISKS

Credit risk

The Foundation is exposed to credit risk regarding the financial assets recognized in the statement of financial position, other than investments in money market funds. The Foundation has determined that the financial assets with more credit risk exposure are contributions receivable since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Foundation.

Market risk

The Foundation's financial instruments expose it to market risk, in particular, to interest rate risk and other price risk, resulting from its investing activities.

Interest rate risk

The Foundation is exposed to interest rate risk with respect to financial assets bearing a fixed interest rate.

The term deposits bear interest at a fixed rate and the Foundation is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Money market funds and high interest bearing account indirectly expose the Foundation to interest rate risk.

Other price risk

The Foundation is exposed to other price risk due to investments in money market funds since changes in market prices could result in changes in fair value or cash flows of these instruments.

Liquidity risk

The Foundation's liquidity risk represents the risk that the Foundation could encounter difficulty in meeting obligations associated with its financial liabilities. The Foundation is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

10 - COMMITMENT

The directors of the Foundation have approved grants to the Hospital totalling \$2,311,368 for the purchase of equipment or the financing of future projects.