

Financial Statements of

**JOSEPH BRANT
HOSPITAL FOUNDATION**

And Independent Auditors' Report thereon

Year ended March 31, 2020



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

To the Members of Joseph Brant Hospital Foundation

Qualified Opinion

We have audited the accompanying financial statements of Joseph Brant 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 notes to the financial statements, including a summary of significant accounting policies and other explanatory information

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "**Basis for Qualified Opinion**" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its financial performance 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 Entity derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statement of financial position as at March 31, 2020
- the fundraising revenues and excess of revenues over expenses reported in the statement of operations and changes in fund balances for the year ended March 31, 2020



- the fund balances reported in the statement of operations and changes in fund balances for the year ended March 31, 2020
- the excess of revenues over expenses reported in the statement of cash flows for the year ended March 31, 2020

Our opinion on the financial statements for the year ended March 31, 2020 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 “**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 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 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.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

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 qualified 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 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 qualified 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 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 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 conclusion is based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Entity 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.
- 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

Hamilton, Canada
May 19, 2020

JOSEPH BRANT HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019


	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,714,733	\$ 9,144,835
Accounts receivable	12,524	16,081
HST rebate receivable	11,759	23,084
Cash surrender value (note 3)	2,241,427	1,705,345
Prepaid expenses	34,549	30,350
Investments (note 4)	6,351,709	6,602,429
Total current assets	13,366,701	17,522,124
Capital assets, net (note 5)	26,817	39,604
Total assets	\$ 13,393,518	\$ 17,561,728

Liabilities and fund balances


Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 283,236	\$ 711,370
HST payable	93	85
Grants payable to Joseph Brant Hospital	271,987	1,930,331
Deferred revenue	25,000	25,000
Total current liabilities	580,316	2,666,786
Fund balances:		
Undesignated fund	6,010,192	8,457,543
Designated fund (note 7)	2,174,051	1,832,720
Endowment fund	4,628,959	4,604,679
Total fund balances	12,813,202	14,894,942
Commitments (notes 9 and 12)		
Subsequent event (note 15)		
Total liabilities and fund balances	\$ 13,393,518	\$ 17,561,728

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

JOSEPH BRANT HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

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

	Undesignated fund	Designated fund	Endowment fund	2020 Total	2019 Total
Revenues:					
Fundraising revenue (note 10)	\$ 5,660,455	\$ 863,602	\$ 400,000	\$ 6,924,057	\$ 12,987,586
Investment income	310,940	3,640	191,036	505,616	292,101
Unrealized (loss) gain on investments	-	-	(506,756)	(506,756)	137,779
	5,971,395	867,242	84,280	6,922,917	13,417,466
Expenses:					
Operating (note 11)	2,444,031	-	-	2,444,031	2,294,340
Excess of revenues over expenses before grants	3,527,364	867,242	84,280	4,478,886	11,123,126
Grants (note 12)	(6,063,872)	(496,754)	-	(6,560,626)	(9,402,050)
Excess of revenues over expenses (expenses over revenue)	(2,536,508)	370,488	84,280	(2,081,740)	1,721,076
Fund balance, beginning of year	8,457,543	1,832,720	4,604,679	14,894,942	13,173,866
Interfund transfers (note 8)	89,157	(29,157)	(60,000)	-	-
Fund balance, end of year	\$ 6,010,192	\$ 2,174,051	\$ 4,628,959	\$ 12,813,202	\$ 14,894,942

See accompanying notes to financial statements.

JOSEPH BRANT HOSPITAL FOUNDATION

Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operations:		
Donations, net of expenses	\$ 4,480,026	\$ 10,693,246
Investment income	505,616	292,101
Increase in cash surrender value	(536,082)	(446,117)
Depreciation, not requiring cash	12,787	11,400
Changes in non-cash working capital (note 14)	(2,075,787)	1,685,727
	<u>2,386,560</u>	<u>12,236,357</u>
Investing activities:		
Purchase of capital assets	-	(13,804)
Purchase of investments	-	(6,527,004)
(Increase) decrease in cost basis of investments	(256,036)	62,354
	<u>(256,036)</u>	<u>(6,478,454)</u>
Grants to Joseph Brant Hospital	(6,560,626)	(9,402,050)
	<u>(4,430,102)</u>	<u>(3,644,147)</u>
Decrease in cash and cash equivalents		
Cash and cash equivalents, beginning of year	9,144,835	12,788,982
Cash and cash equivalents, end of year	<u>\$ 4,714,733</u>	<u>\$ 9,144,835</u>

See accompanying notes to the financial statements.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

1. Purpose of the Organization:

The Joseph Brant Hospital Foundation ("Foundation") is incorporated under the Province of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act.

The purpose of the Foundation is to raise and administer funds to provide for the urgent funding needs of the Joseph Brant Hospital ("Hospital").

2. Significant accounting policies:

The 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.

(a) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions.

Undesignated Fund

The Undesignated Fund records unrestricted donations.

Investment income earned on the unrestricted funds, certain restricted funds and internally restricted funds is recorded in the Undesignated Fund.

All of the Foundation's salaries and benefits and other operating expenses are charged to the Undesignated Fund.

Designated Fund

The Designated Fund records donations that are restricted by the donors.

The balance in the Designated Fund represents various funds, all of which must be spent as specified by the donors.

None of the Foundation's salaries and benefits and operating expenses were charged to the Designated Fund in the current year or prior year.

Investment income earned on these various funds and on the externally restricted portion of the Endowment Funds is recorded in the Designated Fund.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

2. Significant accounting policies (continued):

(a) Fund accounting (continued):

Endowment Fund

The Endowment Fund records resources that have been contributed to the Foundation with the stipulation that the capital amount be permanently retained (externally restricted). Investment income earned on these funds is recorded in Designated Fund. The principal portion of the endowment is invested in an investment portfolio whereby any market fluctuations will be recorded in the Endowment Fund.

(b) Capital assets:

Capital assets are stated at cost. Amortization is provided annually on the straight-line basis over five years. Contributed capital assets received for the benefit of the Hospital are recorded at fair value at the time of receipt.

(c) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue of the Undesignated Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate Designated Fund.

Unrestricted contributions are recognized as revenue of the Undesignated Fund in the year received.

Investment income earned on the Endowment Fund principal invested in an investment portfolio is recognized as revenue in the Endowment Fund. Investment income on Undesignated Fund and Designated Fund resources are recognized as revenue in the respective fund. Other investment income is recognized as revenue of the Undesignated Fund when earned.

(d) Contributed materials and services:

Donated materials, when received, are reflected in donation revenue and expenses of the Undesignated Fund. A number of volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

2. Significant accounting policies (continued):

(e) 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 not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates.

3. Cash surrender value:

The Foundation has received a donation in the form of an insurance policy. This policy has been irrevocably transferred to the Foundation. The Foundation has included within the financial statements the life insurance policy which includes a cash surrender value option. The amount recorded is the cash surrender value that the Foundation is currently entitled to at March 31, 2020.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

4. Investments:

	2020 Cost	2020 Market	% of Total
Cash & Cash Equivalents	\$ 2,300,817	\$ 2,309,689	36%
Fixed Income	2,176,235	2,028,163	32%
Equities	2,234,741	2,013,856	32%
	<u>\$ 6,711,793</u>	<u>\$ 6,351,709</u>	<u>100%</u>

	2019 Cost	2019 Market	% of Total
Cash & Cash Equivalents	\$ 2,240,647	\$ 2,256,321	34%
Fixed Income	1,901,751	2,253,050	34%
Equities	1,974,593	2,093,048	32%
	<u>\$ 6,116,991</u>	<u>\$ 6,602,429</u>	<u>100%</u>

	2020	2019
Change in market investments during the year:		
Opening value of investments	\$ 6,602,429	\$ -
Purchase of investments	-	6,527,004
Interest earned	256,036	(62,354)
Increase (decrease) in unrealized gains and losses	(506,756)	137,779
	<u>\$ 6,351,709</u>	<u>\$ 6,602,429</u>

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

5. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and furniture	\$ 342,742	\$ 315,925	\$ 26,817	\$ 39,604

6. Due to Joseph Brant Hospital:

Included in accounts payable and accrued liabilities is \$259,292 (2019 - \$682,267) due to the Joseph Brant Hospital (the Hospital). The amount due represents amounts payable for payment of accounts payable and payroll, and are non-interest bearing, unsecured and without fixed terms of repayment. These amounts are measured at the exchange amount at the time of the transaction.

Included in the Hospital balance is government remittances payable of \$28,170 (2019 - \$25,205), which includes amounts payable for payroll related taxes.

7. Designated fund:

Designated funds are subject to externally and internally imposed restrictions. Major categories of imposed restrictions on net assets are as follows:

	2020	2019
Education and training	\$ 64,657	\$ 129,718
Endowment funds	169,469	165,829
Equipment	657,665	575,017
Mental Health – Child's Adolescent Program	173,634	173,814
Renovations	1,108,626	788,342
	\$ 2,174,051	\$ 1,832,720

Externally imposed restrictions for the Endowment Fund are reflected as \$4,628,959 (2019 - \$4,604,679) in the Endowment Fund and \$169,469 (2019 - \$165,829) in the Designated Fund.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

8. Interfund transfers and internally restricted net assets:

During the year, the following interfund transfers took place:

- a) \$63,600 was transferred from the Designated Fund to the unrestricted Undesignated Fund in adherence to the Designated Gift Allocation policy.
- b) \$60,000 was transferred from the externally restricted Endowment Fund to the unrestricted Undesignated Fund in adherence to the Designated Gift Allocation policy.
- c) \$34,443 was transferred from the unrestricted Undesignated Fund to the Designated Fund to reflect the net proceeds from an internal event to be designated.

During the prior year, the following interfund transfers took place:

- a) \$100,042 was transferred from the Designated Fund to the unrestricted Undesignated Fund in adherence to the Designated Gift Allocation policy.
- b) \$52,250 was transferred from the unrestricted Undesignated Fund to the externally restricted Endowment Fund to reflect endowed funds received.
- c) \$13,762 was transferred from the unrestricted Undesignated Fund to the Designated Fund reflecting interest earned on the endowed funds.
- d) \$23,492 was transferred from the unrestricted Undesignated Fund to the Designated Fund to reflect the net proceeds from an internal event to be designated.

9. Commitments:

(a) Letter of guarantee:

The Foundation has a letter of guarantee through its financial institution to provide a guarantee to the City of Burlington. The outstanding letter of guarantee is for \$49,500.

(b) Operating lease commitment:

The Foundation entered into a revised lease agreement on March 1, 2020 for office equipment with the term ending in 2025.

The future minimum annual payments under this operating lease consist of the following:

2021	\$	1,072
2022		1,072
2023		1,072
2024		1,072
2025		1,072
		<hr/>
		\$ 5,360

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

10. Fundraising revenue:

	2020	2019
Donations	\$ 6,094,076	\$ 11,998,194
Special events	664,627	827,257
Lottery	165,354	162,135
	\$ 6,924,057	\$ 12,987,586

11. Operating expenses:

	2020	2019
Salaries and benefits	\$ 1,727,359	\$ 1,557,665
Fundraising	483,330	364,631
Operating and administrative	220,555	360,644
Depreciation	12,787	11,400
	\$ 2,444,031	\$ 2,294,340

12. Grants to Joseph Brant Hospital:

The Foundation has committed to raising \$60 million for the Hospital in relation to the Capital Redevelopment Project. During the year, the Foundation contributed \$5,500,000 (2019 - \$6,512,637) to the Hospital towards this commitment. Cumulative contributions to the project as at March 31, 2020 total approximately \$50.1 million.

Grants to Joseph Brant Hospital were for the following purposes:

	2020	2019
Capital Redevelopment – Local Share Plan	\$ 5,500,000	\$ 6,512,637
Operating Grant	350,000	350,000
Critical Needs Equipment	428,428	1,889,922
Renovations	-	391,435
Other	282,198	258,056
	\$ 6,560,626	\$ 9,402,050

The Foundation has an outstanding commitment to the Hospital of \$171,700 at March 31, 2020 (2019 - \$236,620) for equipment. The Foundation has raised and collected some of these funds but the Hospital has not yet incurred these expenditures.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

13. Financial instruments:

(a) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The Foundation's investment activities are applied in accordance with the Foundation's investment policy and monitored by management and the Board of Directors.

(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.

14. Change in non-cash operating working capital:

	2020	2019
Accounts receivable	\$ 3,557	\$ 9,725
HST rebate receivable	11,325	(7,328)
Prepaid expenses	(4,199)	(18,720)
Account payable and accrued liabilities	(428,134)	91,577
HST payable	8	46
Grants payable to Joseph Brant Hospital	(1,658,344)	1,585,427
Deferred revenue	-	25,000
	<u>\$(2,075,787)</u>	<u>\$ 1,685,727</u>

15. Subsequent event:

Subsequent to March 31, 2020, world financial markets have continued to be negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 12, 2020. This has resulted in significant economic uncertainty, including in Canada, where the Foundation operates. Consequently, it is difficult to reliably measure the potential impact of this uncertainty on the future financial results of the Foundation.