

**Lake of the Woods District  
Hospital Foundation  
Financial Statements  
For the year ended March 31, 2015**

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## Independent Auditor's Report

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### To the Chairman and the Members Lake of the Woods District Hospital Foundation

We have audited the accompanying financial statements of Lake of the Woods District Hospital Foundation, which comprise the statement of financial position as at March 31, 2015 and the statement of operations, the statement of changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these 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.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Basis for Qualified Opinion**

In common with many charitable organizations, the Lake of the Woods District Hospital Foundation derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, fundraising revenue, excess of revenue over expenses, (expenses over revenue) and cash flows from operations for the year ended March 31, 2015 and current assets and net assets as at April 1 and March 31 2015.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Lake of the Woods District Hospital Foundation as at March 31, 2015 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.

Handwritten signature in black ink that reads "BDO Canada LLP". The "BDO" is written in a stylized, cursive font, and "Canada LLP" is written in a more standard cursive script.

Chartered Accountants, Licensed Public Accountants

Kenora, Ontario  
June 24, 2015

**Lake of the Woods District Hospital Foundation**  
**Statement of Financial Position**

March 31	2015	2014
<b>Assets</b>		
<b>Current</b>		
Cash (Note 2)	\$ 120,172	\$ 91,780
Accounts receivable	15,100	6,981
Prepaid expenses	2,737	7,777
	138,009	106,538
Investments (Note 3)	1,736,542	1,814,677
Capital assets (Note 5)	759	765
	\$ 1,875,310	\$ 1,921,980


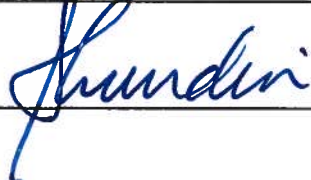
**Liabilities and Net Assets**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 4,498	\$ 5,148

**Net Assets**

<b>General Fund</b>		
Externally restricted assets (Donor Designated Funds)	977,663	761,145
Invested in capital assets	759	765
Unrestricted net assets	123,559	423,078
	1,101,981	1,184,988
<b>Endowment Fund</b>		
Internally restricted funds endowed by the board	768,831	731,844
	1,870,812	1,916,832
	\$ 1,875,310	\$ 1,921,980

On behalf of the Foundation:

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

**Lake of the Woods District Hospital Foundation**  
**Statement of Operations**

**For the year ended March 31**

**2015                      2014**

	General Fund	Endowment Fund	Total	Total
<b>Revenue</b>				
Donations				
General and fundraising	\$ 780,176	\$ 4,999	\$ 785,175	\$ 766,999
Donated goods and services	124,390	-	124,390	143,214
Investment income - dividends and interest	36,408	26,995	63,403	46,734
Gain on investments	26,548	36,981	63,529	59,898
	<u>967,522</u>	<u>68,975</u>	<u>1,036,497</u>	<u>1,016,845</u>
<b>Expenses</b>				
Amortization	1,553	-	1,553	702
Audit and legal	5,769	-	5,769	6,366
Bank charges and fees	8,248	-	8,248	6,816
Fundraising costs	173,931	-	173,931	189,548
Postage and office	19,484	-	19,484	21,495
Printing and advertising	39,732	-	39,732	31,863
Travel and education	3,106	-	3,106	2,037
Wages and benefits	99,802	-	99,802	99,562
	<u>351,625</u>	<u>-</u>	<u>351,625</u>	<u>358,389</u>
<b>Excess of revenue over expenses before transfers</b>	<b>615,897</b>	<b>68,975</b>	<b>684,872</b>	<b>658,456</b>
Transfers to Lake of the Woods District Hospital	(730,892)	-	(730,892)	(744,672)
<b>Excess of revenue over expenses for the year</b>	<b>\$ (114,995)</b>	<b>\$ 68,975</b>	<b>\$(46,020)</b>	<b>\$(86,216)</b>

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

**Lake of the Woods District Hospital Foundation**  
**Statement of Changes in Net Assets**

<b>For the year ended March 31</b>			<b>2015</b>	<b>2014</b>
	<b>General Fund</b>	<b>Endowment Fund</b>	<b>Total</b>	<b>Total</b>
<b>Balance, beginning of year</b>	<b>\$ 1,184,988</b>	<b>\$ 731,844</b>	<b>\$ 1,916,832</b>	<b>\$ 2,003,048</b>
Excess of revenue over expenses for the year	(114,995)	68,975	(46,020)	(86,216)
Transfer of investment income to the General fund	31,988	(31,988)	-	-
<b>Balance, end of year</b>	<b>\$ 1,101,981</b>	<b>\$ 768,831</b>	<b>\$ 1,870,812</b>	<b>\$ 1,916,832</b>

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

**Lake of the Woods District Hospital Foundation**  
**Statement of Cash Flows**

<b>For the year ended March 31</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Cash received from general contributions	\$ 785,175	\$ 766,999
Investment income received	63,403	46,734
Cash paid for operating expenses	(229,410)	(214,901)
Cash paid to Lake of the Woods District Hospital	(730,892)	(744,672)
	(111,724)	(145,840)
<b>Cash flows from investing activities</b>		
Net sales (purchase) of marketable securities	141,664	(270,037)
Purchase of capital assets	(1,548)	-
<b>Increase (decrease) in cash</b>	<b>28,392</b>	<b>(415,877)</b>
<b>Cash, beginning of year</b>	<b>91,780</b>	<b>507,657</b>
<b>Cash, end of year</b>	<b>\$ 120,172</b>	<b>\$ 91,780</b>

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

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# Lake of the Woods District Hospital Foundation

## Notes to Financial Statements

March 31, 2015

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### 1. Nature of Operations and Summary of Significant Accounting Policies

#### Purpose of the Foundation

The Lake of the Woods District Hospital Foundation was incorporated November 13, 1992 for the purpose of raising, holding and investing funds for capital projects of the Lake of the Woods District Hospital as approved by the hospital's Board of Trustees. The Lake of the Woods District Hospital Foundation is incorporated under the Canada Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act.

#### Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

#### Fund Accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in funds. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors. Transfers between the funds are made when it is considered appropriate and authorized by the Board. These interfund transfers are recorded in the statement of changes in net assets. For financial reporting purposes, the accounts have been classified into the following funds:

#### General Fund

The General Fund accounts for the Foundation's general fundraising, granting and administrative activities. The General Fund reports both unrestricted resources available for immediate purposes and externally restricted resources.

#### Endowment Fund

The Endowment Fund includes those funds where either donor or internal restrictions require that the principal be maintained by the Foundation on a permanent basis.

#### Capital Assets

Purchased capital assets are recorded at cost. Amortization is provided on a straight line basis over the assets' useful lives which are estimated to be as follows:

Computer equipment	- 3 years
Donor board	- 5 years
Office equipment	- 10 years
Christmas structures	- 3 years



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# Lake of the Woods District Hospital Foundation

## Notes to Financial Statements

March 31, 2015

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### 1. Nature of Operations and Summary of Significant Accounting Policies - continued

#### Revenue Recognition of Contributions

Donations and bequests are recorded on a cash basis.

Unrestricted and restricted contributions are recognized as revenue of the General Fund or the Endowment Fund in the year received.

#### Recognition of Pledges

Because of the uncertainty of the collectibility of pledges, the Foundation recognizes only those pledges for which contributions have been received at the date of the financial statements.

#### Contributed Materials and Services

Contributed materials and services are recognized in the financial statements when the fair value can be reasonably estimated and when the materials and services are used in the normal course of the organization's operations and would otherwise have been purchased.

#### Investment Income

The investments of the Foundation are recorded at fair market value. Investment income includes dividends, interest and realized and unrealized gains.

#### Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

#### Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives, if any, are reported at fair value, with any unrealized gains and losses reported in operations, other than financial instruments related to endowment funds. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations, other than financial instruments related to endowment funds. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

**Lake of the Woods District Hospital Foundation**  
**Notes to Financial Statements**

March 31, 2015

**2. Cash**

The Foundation's bank accounts are held at a chartered bank and earn interest at prime minus 2%.

	2015	2014
Operating accounts	\$ 18,791	\$ 56,323
CIBC Wood Gundy - Investment cash accounts	101,381	35,457
	\$ 120,172	\$ 91,780

**3. Investments**

Investments are managed by CIBC Wood Gundy. The fair value of investments held as at March 31, 2015, were as follows:

	2015	2014
Bonds	\$ 243,896	\$ 939,411
Equities		
- Canadian	332,519	137,425
- United States	105,935	85,100
- Foreign	-	88,199
Mutual funds	1,054,192	564,542
	\$ 1,736,542	\$ 1,814,677

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## Lake of the Woods District Hospital Foundation

### Notes to Financial Statements

March 31, 2015

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#### 4. Financial Instrument Risk

##### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising through its investment portfolio held in bonds with fixed interest rates, resulting in changes in fair value of the bonds as market interest rates for similar bonds change.

The Foundation manages its interest rate risk through limiting funds invested in bonds.

##### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's operating cash accounts are held at a major institution.

##### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation limits its exposure to changes in currency by having limits on holdings in foreign investments.

##### Market Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to market risk as its investment portfolio includes both equity instruments and debt instruments (bonds) that are subject to market volatility. The markets are affected by a number of factors including changes in interest rates, availability of financing, exchange rates and general economic conditions. The market fluctuations have the potential to create both gains and losses within the investment portfolio.

To minimize market risk the Foundation follows investment policy guidelines which limit investment in both common shares and bonds to an upper limit along with holding bonds in certain credit ratings.

**Lake of the Woods District Hospital Foundation**  
**Notes to Financial Statements**

March 31, 2015

**5. Capital Assets**

	2015		2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 16,064	\$ 15,368	\$ 14,517	\$ 14,517
Donor board	45,249	45,249	45,249	45,249
Office equipment	9,537	9,474	9,537	8,772
Christmas structures	5,032	5,032	5,032	5,032
	<b>\$ 75,882</b>	<b>\$ 75,123</b>	<b>\$ 74,335</b>	<b>\$ 73,570</b>
Net book value		<b>\$ 759</b>		<b>\$ 765</b>

**6. Accounts Payable and Accrued Liabilities**

There are no government remittances payable at year end (2014 - nil).