

**Lake of the Woods District
Hospital Foundation
Financial Statements
For the year ended March 31, 2020**

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Independent Auditor's Report

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

Qualified Opinion

We have audited the accompanying financial statements of Lake of the Woods District Hospital Foundation (the Foundation), which comprise the statement of financial position as at March 31, 2020 and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, 2020, and its results of 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 donation and 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 Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 2019 was modified 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 audit opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the Annual Report to Donors.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report to Donors prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation 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.



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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Kenora, Ontario
June 30, 2020

Lake of the Woods District Hospital Foundation
Statement of Financial Position

March 31 **2020** **2019**

Assets

Current

Cash (Note 2)	\$ 123,700	\$ 146,933
Accounts receivable	16,358	9,585
Prepaid expenses	-	2,820

Investments (Note 3)	140,058	159,338
	<u>947,346</u>	<u>1,570,633</u>

\$ 1,087,404 \$ 1,729,971

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 8,785	\$ 8,367
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Net Assets

General Fund

Externally restricted assets (Donor Designated Funds)	100,824	700,586
Unrestricted net assets	<u>40,865</u>	<u>111,089</u>

141,689 811,675

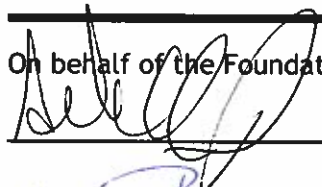
Endowment Fund


Internally restricted funds endowed by the board	<u>936,930</u>	<u>909,929</u>
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1,078,619 1,721,604

\$ 1,087,404 \$ 1,729,971

On behalf of the Foundation:





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	General Fund		Donor Designated Fund		Endowment Fund			Total
	2020	2019	2020	2019	2020	2019	2020	2019
Revenue								
Donations								
General and fundraising	\$ 632,647	\$ 987,768	\$ 504,637	\$ 1,197,737	\$ -	\$ -	\$ 1,137,284	\$ 2,185,505
Donated goods and services	137,813	89,845	6,511	9,011	-	-	144,324	98,856
Investment income								
- dividends and interest	9,356	12,374	-	-	25,445	28,868	34,801	41,242
- capital gains (losses)	173	(33,823)	-	-	1,556	(45)	1,729	(33,868)
	779,989	1,056,164	511,148	1,206,748	27,001	28,823	1,318,138	2,291,735
Expenses								
Audit and legal	4,683	4,407	-	-	-	-	4,683	4,407
Bank charges and fees	7,862	7,726	-	-	-	-	7,862	7,726
Fundraising costs	279,155	149,935	-	-	-	-	279,155	149,935
Postage and office	41,257	29,660	-	-	-	-	41,257	29,660
Printing and advertising	40,613	46,308	-	-	-	-	40,613	46,308
Travel and education	726	3,168	-	-	-	-	726	3,168
Wages and benefits	187,535	188,935	-	-	-	-	187,535	188,935
	561,831	430,139	-	-	-	-	561,831	430,139
Excess of revenue over expenses before transfers	218,158	626,025	511,148	1,206,748	27,001	28,823	756,307	1,861,596
Transfers to Lake of the Woods District Hospital	(288,382)	(573,494)	(1,110,910)	(1,331,337)	-	-	(1,399,292)	(1,904,831)
Excess (deficiency) of revenue over expenses for the year	(70,224)	52,531	(599,762)	(124,589)	27,001	28,823	(642,985)	(43,235)
Balance, beginning of year	111,089	44,146	700,586	825,175	909,929	895,518	1,721,604	1,764,839
Transfer of investment income to the General fund	-	14,412	-	-	-	(14,412)	-	-
Balance, end of year	\$ 40,865	\$ 111,089	\$ 100,824	\$ 700,586	\$ 936,930	\$ 909,929	\$ 1,078,619	\$ 1,721,604

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

Lake of the Woods District Hospital Foundation
Statement of Cash Flows

For the year ended March 31	2020	2019
Cash flows from operating activities		
Cash received from general contributions	\$ 1,137,284	\$ 2,185,505
Investment income received	34,801	41,242
Cash paid for operating expenses	(421,042)	(327,696)
Cash paid to Lake of the Woods District Hospital	<u>(1,399,292)</u>	<u>(1,904,831)</u>
	(648,249)	(5,780)
Cash flows from investing activities		
Net sales (purchase) of marketable securities	<u>625,016</u>	<u>(707,606)</u>
Decrease in cash	(23,233)	(713,386)
Cash, beginning of year	<u>146,933</u>	<u>860,319</u>
Cash, end of year	\$ 123,700	\$ 146,933

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

Lake of the Woods District Hospital Foundation

Notes to Financial Statements

March 31, 2020

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

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

Donor Designated Fund

The Donor Designated Fund reports restricted resources that are to be used for purposes as specified by the respective donors.

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.

Lake of the Woods District Hospital Foundation

Notes to Financial Statements

March 31, 2020

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, Donor Restricted 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, 2020

2. Cash

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

3. Investments

The fair value of investments held as at March 31, 2020, were as follows:

	<u>2020</u>	<u>2019</u>
Cash accounts (cost value - \$777,568)	\$ 777,568	\$ 709,610
Bonds and Fixed Instruments (cost value - \$93,000)	92,233	663,380
Equity instruments (cost value - \$76,068)	77,545	170,547
Mutual funds (cost value - NIL)	-	27,096
	<u>\$ 947,346</u>	<u>\$ 1,570,633</u>

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. The Foundation's investment manager invests in bonds either directly or indirectly by investing in short term income funds. At March 31, 2020, 9.7% of its investments were held in bond funds.

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 and with Manitou's custodian RBC Investor & Treasury Services.

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. At year end, no foreign based investments were held.

Lake of the Woods District Hospital Foundation

Notes to Financial Statements

March 31, 2020

4. Financial Instrument Risk (continued)

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. At March 31, 2020, 8.2% of its investments were held in equity funds.

Subsequent to year end, COVID-19 has had a significant effect on the financial markets. The Organization's investments in equity instruments (see Note 3) measured at fair value are reported in these financial statements at their values on March 31, 2020. Since then there has been significant market volatility. The extent of any future impact on the Organization's investments or operations as a result of COVID-19 is unknown.

5. Uncertainty of COVID-19

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. The organization has postponed a number of its fundraisers and the impact on donor giving is unknown. The Organization is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

6. Subsequent Events

Subsequent to year end, \$428,370 remained in the cash investment account (Note 3), with \$298,714 invested in bonds and fixed income instruments and \$221,385 invested in equity instruments.