

Lake of the Woods District
Hospital Foundation
Financial Statements
For the year ended March 31, 2022

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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, 2022 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, 2022, 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, 2022 and 2021, current assets as at March 31, 2022 and 2021, and net assets as at April 1 and March 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended March 31, 2021 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.

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 23, 2022

Lake of the Woods District Hospital Foundation
Statement of Financial Position

March 31	2022	2021
Assets		
Current		
Cash (Note 2)	\$ 176,247	\$ 247,851
Accounts receivable	8,738	12,374
Prepaid expenses	16,107	4,847
	201,092	265,072
Investments (Note 3)	1,443,694	1,398,607
	\$ 1,644,786	\$ 1,663,679
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 39,958	\$ 114,988
Net Assets		
General Fund		
Externally restricted assets (Donor Designated Funds)	422,194	303,353
Unrestricted net assets	(68,191)	46,452
	354,003	349,805
Endowment Fund		
Internally restricted funds endowed by the board	1,250,825	1,198,886
	1,604,828	1,548,691
	\$ 1,644,786	\$ 1,663,679

On behalf of the Foundation:

Anthony Sharp

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DocuSigned by:

Kimberly Mejia

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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	General Fund		Donor Designated Fund		Endowment Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue								
Donations and fundraising								
General	\$ 426,094	\$ 689,792	\$ 196,965	\$ 426,080	\$ -	\$ 175,000	\$ 623,059	\$ 1,290,872
50/50 draws	1,077,115	1,543,470	-	-	-	-	1,077,115	1,543,470
Donated goods and services	12,960	12,960	-	-	-	-	12,960	12,960
Investment income								
- dividends and interest	5,097	3,499	-	-	29,545	13,187	34,642	16,686
- capital gains	1,380	781	-	-	19,727	64,966	21,107	65,747
	<u>1,522,646</u>	<u>2,250,502</u>	<u>196,965</u>	<u>426,080</u>	<u>49,272</u>	<u>253,153</u>	<u>1,768,883</u>	<u>2,929,735</u>
Expenses								
Audit and legal	7,161	5,399	-	-	-	-	7,161	5,399
Bank charges and fees	63,071	9,569	-	-	-	-	63,071	9,569
Fundraising costs	4,221	30,342	-	-	-	-	4,221	30,342
Investment management fees	-	-	-	-	7,722	3,928	7,722	3,928
Postage and office	22,146	35,946	-	-	-	-	22,146	35,946
Printing and advertising	41,773	31,038	-	-	-	-	41,773	31,038
50/50 draw expenses	123,762	147,429	-	-	-	-	123,762	147,429
50/50 draw payouts	557,236	776,802	-	-	-	-	557,236	776,802
Travel and education	450	505	-	-	-	-	450	505
Wages and benefits	128,802	186,615	-	-	-	-	128,802	186,615
	<u>948,622</u>	<u>1,223,645</u>	<u>-</u>	<u>-</u>	<u>7,722</u>	<u>3,928</u>	<u>956,344</u>	<u>1,227,573</u>
Excess of revenue over expenses before transfers	574,024	1,026,857	196,965	426,080	41,550	249,225	812,539	1,702,162
Transfers to Lake of the Woods District Hospital	(678,278)	(1,008,539)	(78,124)	(223,551)	-	-	(756,402)	(1,232,090)
Excess (deficiency) of revenue over expenses for the year	(104,254)	18,318	118,841	202,529	41,550	249,225	56,137	470,072
Balance, beginning of year	46,452	40,865	303,353	100,824	1,198,886	936,930	1,548,691	1,078,619
Transfer to (from) the General fund	(10,389)	(12,731)	-	-	10,389	12,731	-	-
Balance, end of year	\$ (68,191)	\$ 46,452	\$ 422,194	\$ 303,353	\$,250,825	\$ 1,198,886	\$ 1,604,828	\$ 1,548,691

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	2022	2021
Cash flows from operating activities		
Cash received from donations and fundraising	\$ 1,700,174	\$ 2,834,342
Investment income received	34,642	16,686
Cash paid for operating expenses	(1,026,038)	(1,109,273)
Cash paid to Lake of the Woods District Hospital	(756,402)	(1,232,090)
	<u>(47,624)</u>	509,665
Cash flows from investing activities		
Net sales (purchase) of marketable securities	(23,980)	(385,514)
	<u>(23,980)</u>	
Increase (decrease) in cash	(71,604)	124,151
Cash, beginning of year	247,851	123,700
	<u>247,851</u>	
Cash, end of year	\$ 176,247	\$ 247,851

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

Lake of the Woods District Hospital Foundation

Notes to Financial Statements

March 31, 2022

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 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, 2022

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, 2022

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, 2022, were as follows:

	2022	2021
Cash accounts (cost - \$316,813)	\$ 316,813	\$ 247,260
Bond Funds and Fixed Instruments (cost - \$669,793)	646,093	753,559
Equity Funds (cost - \$369,034)	480,788	397,788
	<u>\$ 1,443,694</u>	<u>\$ 1,398,607</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 bond funds 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, 2022, 45% of its investments were held in bond funds and fixed instruments.

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 March 31, 2022, 33% of its investments were held in global equity funds.

Lake of the Woods District Hospital Foundation
Notes to Financial Statements

March 31, 2022

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, 2022, 33% of its investments were held in global equity funds.

During the year, COVID-19 continued to have 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, 2022. The extent of any future impact on the Organization's investments or operations as a result of COVID-19 is unknown.

5. Uncertainty Due to COVID-19

During the year, the impact of COVID-19 in Canada and on the global economy continued to be significant. The organization continued to postpone 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. Standby Letter of Credit

The organization has a standby letter of credit with a chartered bank in the amount of \$39,000. The balance is due on demand to the Alcohol and Gaming Commission of Ontario in relation to the monthly Early Bird Draws for the organization's online 50/50 lottery. None of the balance has been demanded as of March 31, 2022.