

Financial Statements of

**ST. MARY'S GENERAL
HOSPITAL FOUNDATION**

And Independent Auditor's Report thereon

Year ended March 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of St. Mary's General Hospital Foundation

Opinion

We have audited the financial statements of St. Mary's General Hospital Foundation (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets 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

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

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of operations, its changes in net assets, and its cash flows year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 auditor's 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 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 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.

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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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.



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- 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 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 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

Kitchener, Canada

September 14, 2023

ST. MARY'S GENERAL HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	General Fund	Restricted Fund	2023 Total	2022 Total
Assets				
Current assets:				
Cash	\$ 3,086,049	\$ 4,747,053	\$ 7,833,102	\$ 5,637,132
Interest receivable	127,784	–	127,784	76,215
Gift receivable	3,900	745	4,645	–
Cash surrender value of life insurance policies (note 3)	28,444	–	28,444	53,072
Government remittances receivable	19,334	–	19,334	16,433
Prepaid expenses	66,408	–	66,408	46,556
	3,331,919	4,747,798	8,079,717	5,829,408
Investments (note 2, note 5)	22,790,927	12,460,716	35,251,643	20,524,089
Capital assets (note 4)	30,190	–	30,190	16,620
	\$ 26,153,036	\$ 17,208,514	\$ 43,361,550	\$ 26,370,117
Liabilities and Net Assets				
Current liabilities:				
Due to St. Mary's General Hospital	\$ 866,409	\$ 141,401	\$ 1,007,810	\$ 376,518
Accrued liabilities	9,492	207,601	217,093	16,239
Deferred revenue	2,400	265,055	267,455	248,175
	878,301	614,057	1,492,358	640,932
Net assets (note 1(a)):				
Externally restricted	–	16,594,457	16,594,457	10,614,188
Unrestricted	25,274,735	–	25,274,735	15,114,997
	25,274,735	16,594,457	41,869,192	25,729,185
	\$ 26,153,036	\$ 17,208,514	\$ 43,361,550	\$ 26,370,117

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

ST. MARY'S GENERAL HOSPITAL FOUNDATION

Statements of Operations

Year ended March 31, 2023 with comparative information for 2022

	General Fund		Restricted Fund		Total	Total
	2023	2022	2023	2022	2023	2022
			\$	\$	\$	\$
Revenue:						
Fundraising (note 7)	14,074,572	8,547,388	7,075,750	2,854,113	21,150,322	11,401,501
Investment income	300,505	702,374	3,286	14,071	303,791	716,445
Total revenues	14,375,077	9,249,762	7,079,036	2,868,184	21,454,113	12,117,946
Fundraising and administrative expenses:						
Salaries and benefits	1,610,323	1,315,948	–	–	1,610,323	1,315,948
Other fundraising	607,699	473,235	–	–	607,699	473,235
Amortization	3,845	1,040	–	–	3,845	1,040
	2,221,867	1,790,223	–	–	2,221,867	1,790,223
Excess of revenues over fundraising and administrative expenses	12,153,210	7,459,539	7,079,036	2,868,184	19,232,246	10,327,723
Donations to St. Mary's General Hospital:						
Funded donation	(2,007,178)	(944,002)	(1,085,061)	(3,732,158)	(3,092,239)	(4,676,160)
	(2,007,178)	(944,002)	(1,085,061)	(3,732,158)	(3,092,239)	(4,676,160)
Excess (deficiency) of revenues over expenses	10,146,032	6,515,537	5,993,975	(863,974)	16,140,007	5,651,563

See accompanying notes to financial statements.

ST. MARY'S GENERAL HOSPITAL FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2023 with comparative information for 2022

	General Fund		Restricted Fund		Capital Fund		Sweeney Endowment Fund		Total	Total
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	15,114,997	13,399,994	10,614,188	6,577,979	–	2,815	–	96,834	25,729,185	20,077,622
Excess (deficiency) of revenue over expense	10,146,032	6,515,537	5,993,975	(863,974)	–	–	–	–	16,140,007	5,651,563
Transfer of funds (note 9)	13,706	(4,800,534)	(13,706)	4,900,183	–	(2,815)	–	(96,834)	–	–
Net assets, end of year	25,274,735	15,114,997	16,594,457	10,614,188	–	–	–	–	41,869,192	25,729,185

See accompanying notes to financial statements.

ST. MARY'S GENERAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2023 with comparative information for 2022

	2023	2022
Cash provided by (applied to):		
Operations:		
Excess of revenue over fundraising and administrative expenses	\$ 19,232,246	\$ 10,327,723
Donations to St. Mary's General Hospital	(3,092,239)	(4,676,160)
Items not involving cash:		
Amortization	3,845	1,040
Change in unrealized gain on investments	489,565	(141,823)
Changes in non-cash operating working capital:		
Interest receivable	(51,569)	(18,954)
Gift receivable	(4,645)	—
Cash surrender value of life insurance policies	24,628	(1,042)
Government remittances receivable	(2,901)	(16,433)
Prepaid expenses	(19,852)	(10,011)
Due to St. Mary's General Hospital	631,292	(611,224)
Accrued liabilities	200,854	(23,915)
Deferred revenue	19,280	148,120
	17,430,504	4,977,321
Investing:		
Change in investments, net	(15,217,119)	(4,774,396)
Purchase of capital asset	(17,415)	(14,845)
	(15,234,534)	(4,789,241)
Increase in cash	2,195,970	188,080
Cash, beginning of year	5,637,132	5,449,052
Cash, end of year	\$ 7,833,102	\$ 5,637,132

See accompanying notes to financial statements.

ST. MARY'S GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

St. Mary's General Hospital Foundation (the "Foundation") is a public charitable foundation registered under the Income Tax Act (Canada). The main activities of the Foundation are to solicit and receive donations for the advancement of St. Mary's General Hospital, Kitchener, Ontario (the "Hospital"). All of the assets of the Foundation are for the benefit of St. Mary's General Hospital.

1. Significant accounting policies:

The Foundation prepares its financial statements in accordance with Canadian Accounting Standards for not-for-profit organizations in Part III of the CPA Handbook.

(a) Fund accounting:

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

The General Fund accounts for the Foundation's program delivery and administrative activities. This fund reports unrestricted resources and donations.

The Restricted Fund reports donations with restrictions on use specified by the donors.

(b) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as revenue in the related endowment fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned in the endowment funds are resources that must be spent for prescribed purposes and are recognized as restricted revenue of the endowment funds.

ST. MARY'S GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Repair and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis at annual rates varying from 10% to 33%.

(d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(e) Pledges:

Pledges to donate funds to the Foundation are not recorded in the accounts until such time as funds are received. As of March 31, 2023, outstanding pledges to the Foundation amounted to approximately \$4,674,961 (2022 - \$4,876,008).

(f) Donations in kind:

Donated items which would otherwise be paid for by the Foundation are recorded at fair market value when provided. Fair market value is determined by third party valuations and invoices.

(g) Life insurance policies:

Life insurance policies are treated as assets of the General Fund to the extent of the cash surrender value.

(h) 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.

ST. MARY'S GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(h) Financial instruments (continued):

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.

(i) Use of estimates:

The preparation of 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 dates of the financial statements and the reported amounts of revenue and expenses during the years. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowances for receivables and accrued liabilities. Actual results could differ from those estimates.

2. Investments:

March 31, 2023	Book value	Fair value
Common stocks	\$ 6,736,337	\$ 8,629,235
Fixed income	17,699,509	17,297,708
Cash and cash equivalents	9,324,700	9,324,700
	\$ 33,760,546	\$ 35,251,643

March 31, 2022	Book value	Fair value
Common stocks	\$ 5,234,989	\$ 7,576,863
Fixed income	9,805,336	9,336,502
Cash and cash equivalents	3,435,909	3,435,909
Common stock held in escrow (note 5)	67,193	174,815
	\$ 18,543,427	\$ 20,524,089

ST. MARY'S GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Life insurance policies:

The Foundation has been given life insurance policies under which it is the owner and beneficiary, and annual donations are received to cover the premiums. At March 31, 2023, the cash surrender value of the policies was \$28,444 (2022 - \$53,072) while the face value of the policies was \$735,317 (2022 - \$838,222). As the realizable amount under the policies is uncertain, the Foundation will record any gain as revenue when the final proceeds are received.

4. Capital assets:

	2023	2022
Equipment, at cost	\$ 35,409	\$ 17,994
Accumulated amortization	5,219	1,374
Net book value	\$ 30,190	\$ 16,620

5. Investment in Oculys:

On October 21, 2019 the Foundation entered a share purchase agreement ("SPA") with Vitalhub Corp. for the sale of its shares in Oculys Health Information Inc. ("Oculys").

Upon closing in 2020, 2,847,151 shares of Vitalhub were placed in escrow having a fair market value of \$512,487. These shares are subject to the terms of a Share Escrow Agreement which provides for an even release of the shares on May 18th and November 18th each year until May 18, 2022. While the shares are held in escrow, the Foundation retains control of the shares through its right to receive dividends and other distributions, exercise voting rights, and exchange or convert the shares in accordance with the Share Escrow Agreement. During the current year, 56,943 (2022 - 113,886) Vitalhub shares were received from escrow resulting in a balance of nil shares remaining in escrow as at March 31, 2023 (2022 - 53,943).

There was a contingent earn-out for a term of 3 years from the date of closing. The contingent earn-out was determined to be \$nil at the end of the term.

ST. MARY'S GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

6. The Physicians' Restricted Fund:

By an agreement made between the Foundation and The Kitchener and Waterloo Community Foundation (the "Community Foundation") dated August 11, 1998, the Foundation transferred the assets of the Physicians' Fund held at that date to the Community Foundation to be held and invested by it as the "St. Mary's General Hospital Foundation Physicians' Fund". The assets are owned by the Community Foundation and, as such, are not shown as assets on the financial statements of the Foundation.

The fair value, and activity in the St. Mary's General Hospital Foundation Physicians' Fund of the Community Foundation for the year ended March 31, 2023 is illustrated below:

	2023	2022
Fair value, beginning of year	\$ 104,525	\$ 103,029
Increase in fund:		
Investment gain	1,159	7,371
Decreases in fund:		
Administration fees	(1,636)	(1,775)
Distribution of income component to the Foundation	(4,200)	(4,100)
	(4,677)	1,496
Fair value, end of year	\$ 99,848	\$ 104,525

7. Fundraising revenue:

Fundraising revenue includes the following amounts received from related parties:

	2023	2022
St. Mary's General Hospital Volunteer Association	\$ 10,075	\$ 3,256

8. Related party transactions:

St. Mary's General Hospital has an economic interest in the St. Mary's General Hospital Foundation. During the year, the Foundation granted \$3,092,239 (2022 - \$4,676,160) to St. Mary's General Hospital, to fund capital projects and operations. During the year, the Foundation purchased services in the amount of \$28,137 (2022 - \$7,410) from St. Mary's General Hospital.

ST. MARY'S GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

9. Transfer of funds to/from restricted:

The Sweeney Endowment Fund has been largely inactive in the last several years, therefore, in the prior year, the Sweeney Endowment Fund was closed (with no objections from the donor) and the remaining funds were transferred to the Restricted Fund.

In prior year, the Capital Fund was transferred into the General Fund.

During the current year, there was a transfer of \$13,706 from the restricted fund to the general fund as required for operations.

10. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by The Board. The Foundation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Foundation believes that it is not exposed to significant interest-rate, market, credit or cash flow risk arising from its financial instruments. There has been no change to the risk exposure from 2022.

Additionally, the Foundation believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments. The Foundation manages any remaining liquidity risk by monitoring its operating requirements and preparing budget forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2022.

Investments that trade in foreign markets are exposed to currency risk as the price in local terms on the foreign stock exchange is converted to Canadian dollars to determine fair value. The Foundation's overall currency positions are monitored by the portfolio manager. There has been no change to the risk exposure from 2022.