

Financial Statements of

**JOSEPH BRANT
HOSPITAL FOUNDATION**

And Independent Auditor's Report thereon

Year ended March 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Members of Joseph Brant Hospital Foundation

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, 2023
- 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, 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 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 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 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 Entity's internal control.



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- 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 conclusion is 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

Hamilton, Canada
May 30, 2023

JOSEPH BRANT HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,557,445	\$ 11,477,167
Accounts receivable (note 15)	3,857	17,985
HST rebate receivable	20,580	15,850
Cash surrender value (note 3)	3,753,010	3,658,178
Prepaid expenses	29,410	51,046
Investments (note 4)	16,425,849	7,174,221
Total current assets	22,790,151	22,394,447
Capital assets, net (note 5)	34,042	34,527
Total assets	\$ 22,824,193	\$ 22,428,974

Liabilities and fund balances

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 497,807	\$ 654,820
HST payable	1,493	128
Grants payable to Joseph Brant Hospital	1,522,233	5,472,624
Deferred revenue	58,750	89,383
Total current liabilities	2,080,283	6,216,955
Fund balances:		
Undesignated fund	10,849,864	6,271,652
Designated fund (note 7)	3,090,635	2,763,885
Endowment fund	6,803,411	7,176,482
Total fund balances	20,743,910	16,212,019
Commitments (notes 9 and 12)		
Total liabilities and fund balances	\$ 22,824,193	\$ 22,428,974

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, 2023, with comparative information for 2022

	Undesignated fund	Designated fund	Endowment fund	2023 Total	2022 Total
Revenues:					
Fundraising revenue (note 10)	\$ 10,955,584	\$ 638,867	\$ –	\$ 11,594,451	\$ 6,572,495
Investment income	443,607	1,637	215,217	660,461	699,156
Unrealized loss on investments	–	–	(588,288)	(588,288)	(54,258)
	11,399,191	640,504	(373,071)	11,666,624	7,217,393
Expenses:					
Operating (notes 11, 15)	2,913,500	–	–	2,913,500	2,283,704
Excess of revenues over expenses (expenses over revenue) before grants	8,485,691	640,504	(373,071)	8,753,124	4,933,689
Grants (note 12)	(3,933,833)	(287,400)	–	(4,221,233)	(5,803,588)
Excess of revenues over expenses (expenses over revenue)	4,551,858	353,104	(373,071)	4,531,891	(869,899)
Fund balance, beginning of year	6,271,652	2,763,885	7,176,482	16,212,019	17,081,918
Interfund transfers (note 8)	26,354	(26,354)	–	–	–
Fund balance, end of year	\$ 10,849,864	\$ 3,090,635	\$ 6,803,411	\$ 20,743,910	\$ 16,212,019

See accompanying notes to financial statements.

JOSEPH BRANT HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Donations, net of expenses	\$ 8,680,951	\$ 4,288,791
Investment income	660,461	699,156
Grants to Joseph Brant Hospital	(4,221,233)	(5,803,588)
Increase in cash surrender value	(94,832)	(773,950)
Depreciation, not requiring cash	13,174	15,931
Changes in non-cash working capital (note 14)	(4,105,638)	5,625,099
	932,883	4,051,439
Investing activities:		
Purchase of capital assets	(12,689)	(5,064)
Purchase of investments	(21,824,699)	(117,381)
Decrease (increase) in cost basis of investments	11,984,783	(600,046)
	(9,852,605)	(722,491)
(Decrease) increase in cash and cash equivalents	(8,919,722)	3,328,948
Cash and cash equivalents, beginning of year	11,477,167	8,148,219
Cash and cash equivalents, end of year	\$ 2,557,445	\$ 11,477,167

See accompanying notes to the financial statements.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

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, 2023

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, 2023

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.

(g) Government Assistance:

The Foundation applies for financial assistance under available government incentive programs. Government assistance related to current expenses and revenue is included in the determination of the excess of revenues over expenses for the period. The Foundation recognizes government assistance as a direct reduction to the related expense that the grant is intended to offset.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

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. No investment was made into the policy during the year-ended March 31, 2023 (2022 - \$718,840).

The amount recorded is the cash surrender value that the Foundation is currently entitled to at March 31, 2023.

4. Investments:

	2023 Cost	2023 Market	% of Total
Cash and cash equivalents	\$10,071,192	\$10,090,712	61%
Fixed Income	2,676,902	2,601,754	16%
Equities	3,226,350	3,733,383	23%
	\$15,974,444	\$16,425,849	100%

	2022 Cost	2022 Market	% of Total
Cash and cash equivalents	\$ 496,380	\$ 532,874	7%
Fixed Income	2,083,775	2,185,725	31%
Equities	3,560,746	4,455,622	62%
	\$ 6,140,901	\$ 7,174,221	100%

	2023	2022
Change in market investments during the year:		
Opening market value of investments	\$ 7,174,221	\$ 6,511,052
Proceeds on redemption of investments	(12,200,000)	—
Purchase of investments	21,824,699	117,381
Interest earned	215,217	600,046
Increase in unrealized losses	(588,288)	(54,258)
	\$ 16,425,849	\$ 7,174,221

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

5. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and furniture	\$ 396,294	\$ 362,252	\$ 34,042	\$ 34,527

6. Due to Joseph Brant Hospital:

Included in accounts payable and accrued liabilities is \$390,568 (2022 - \$612,908) 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 agreed to by the related parties.

Included in the Hospital balance is government remittances payable of \$1,535 (2022 - \$31,172), 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:

	2023	2022
Education and training	\$ 48,887	\$ 49,760
Endowment funds	44,646	43,008
Equipment	1,159,210	969,785
Labour & Delivery	1,137,760	1,092,199
Mental Health	521,802	521,125
Nina's Place	178,330	88,008
	\$ 3,090,635	\$ 2,763,885

Externally imposed restrictions for the Endowment Fund are reflected as \$6,803,411 (2022 - \$7,176,482) in the Endowment Fund and \$44,646 (2022 - \$43,008) in the Designated Fund.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

8. Interfund transfers and internally restricted net assets:

During the year, the following interfund transfers took place:

- a) \$57,621 was transferred from the Designated Fund to the unrestricted Undesignated Fund in adherence to the Designated Gift Allocation policy.
- b) \$31,267 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) \$66,146 was transferred from the Designated Fund to the unrestricted Undesignated Fund in adherence to the Designated Gift Allocation policy.
- b) \$171,069 was transferred from the Designated Fund to the unrestricted Undesignated Fund to fund the capital purchases of the redevelopment.
- c) \$81,023 was transferred from the unrestricted Undesignated Fund to the Designated Fund to reflect the net proceeds from an internal event to be designated.
- d) \$19,573 was transferred from the unrestricted Undesignated Fund to the Designated Fund for fund presentation purposes on the statement of financial position.
- e) \$38,943 was transferred from the Designated Fund to the unrestricted Undesignated Fund to fund critical needs of the Hospital as per the terms of the gift.

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.

- (a) 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:

2024	\$	1,072
2025		1,072
	\$	2,144

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

10. Fundraising revenue:

	2023	2022
Donations	\$ 10,562,966	\$ 6,086,302
Special events	888,847	333,001
Lottery	142,638	153,192
	<u>\$ 11,594,451</u>	<u>\$ 6,572,495</u>

11. Operating expenses:

	2023	2022
Salaries and benefits	\$ 1,759,840	\$ 1,515,132
Fundraising	973,169	495,009
Other operating and administrative	167,317	257,632
Depreciation	13,174	15,931
	<u>\$ 2,913,500</u>	<u>\$ 2,283,704</u>

12. Grants to Joseph Brant Hospital:

The Foundation is completing its commitment to the Capital Redevelopment project. During the year, the Foundation contributed \$2,092,426 (2022 - \$5,000,000) to the Hospital towards its commitment of \$57.2 million. During the year, the Hospital requested additional funding in the amount of \$2.8 million, which will be contributed in future periods.

Grants to Joseph Brant Hospital were for the following purposes:

	2023	2022
Capital Redevelopment – Local Share Plan	\$ 2,092,426	\$ 5,000,000
Operating Grant	350,000	350,000
Critical Needs Equipment	1,489,230	284,046
Other	289,577	169,542
	<u>\$ 4,221,233</u>	<u>\$ 5,803,588</u>

The Foundation has an outstanding commitment to the Hospital of \$565,900 at March 31, 2023 (2022 - \$108,000) 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, 2023

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. There has been no change in the risk exposure from 2022.

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. There has been no change in the risk exposure from 2022.

14. Change in non-cash operating working capital:

	2023	2022
Accounts receivable	\$ 14,128	\$ 62,809
HST rebate receivable	(4,730)	2,213
Prepaid expenses	21,636	(28,563)
Account payable and accrued liabilities	(157,013)	374,427
HST payable	1,365	20
Grants payable to Joseph Brant Hospital	(3,950,391)	5,171,010
Deferred revenue	(30,633)	43,183
	<u>\$(4,105,638)</u>	<u>\$ 5,625,099</u>

15. Government assistance:

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy ("CEWS") that is available to any employer, subject to eligibility criteria, whose business has been adversely affected by COVID-19. The subsidy claim period began on March 15, 2020 and ceased on October 23, 2021. The eligibility and application of the CEWS is assessed over multiple claim periods. As the program has ceased, the Foundation did not make any applications during the year ended March 31, 2023.

JOSEPH BRANT HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

15. Government assistance (continued):

In the prior year the Foundation received total wage subsidy funding \$139,128 which has been recorded as a reduction in related payroll expenses in the statement of operations. In the prior year, \$9,136 is included in accounts receivable on the balance sheet related to these assistance programs.