

STRATHROY MIDDLESEX GENERAL HOSPITAL FOUNDATION

Financial Statements

Year Ended March 31, 2024

STRATHROY MIDDLESEX GENERAL HOSPITAL FOUNDATION
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Year Ended March 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Strathroy Middlesex General Hospital Foundation

Qualified Opinion

We have audited the financial statements of Strathroy Middlesex General Hospital Foundation (the Foundation), which comprise the statement of financial position as at March 31, 2024, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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, 2024, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from 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 fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2024, current assets and net assets as at March 31, 2024. Our audit opinion on the financial statements for the year ended March 31, 2023 was modified accordingly because of the possible effects of this limitation of 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 those 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 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 Foundation's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

(continues)

Jeremy A. Giles CPA, CA Lissa Savage CPA, CA, CPA (Illinois)

Mark Snyders CPA, CA Dillon O'Henly CPA, CA

James B. MacNeill FCPA, FCA, CFP (Counsel) Robert F. Edmundson CPA, CA (Retired)

INDEPENDENT AUDITOR'S REPORT (continued)

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.


London, Ontario
September 5, 2024

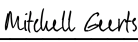
MacNeill Edmundson
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practise public accounting by
the Chartered Professional Accountants of Ontario

STRATHROY MIDDLESEX GENERAL HOSPITAL FOUNDATION
Statement of Financial Position
March 31, 2024

	2024	2023
ASSETS		
CURRENT		
Cash	\$ 1,106,226	\$ 555,439
Marketable securities (Note 4)	6,358,945	6,330,497
Accounts receivable	282,102	92,080
Promissory note receivable (Note 9)	142,942	53,819
Harmonized sales tax recoverable	4,655	9,358
Prepaid expenses	110,252	52,522
	8,005,122	7,093,715
CAPITAL ASSETS (Note 2)	19,636	31,024
PROMISSORY NOTE RECEIVABLE (Note 9)	1,170,283	780,548
	\$ 9,195,041	\$ 7,905,287
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 35,775	\$ 69,155
Current portion of long term debt (Note 11)	-	40,000
Short term debt (Note 6)	5,000	-
Deferred income	128,980	105,000
	169,755	214,155
NET ASSETS		
Unrestricted	4,403,250	3,242,589
Endowments (Note 7)	4,622,036	4,448,543
	9,025,286	7,691,132
	\$ 9,195,041	\$ 7,905,287

ON BEHALF OF THE BOARD

DocuSigned by:

 _____ Director
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Signed by:

 _____ Director
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STRATHROY MIDDLESEX GENERAL HOSPITAL FOUNDATION
Statement of Changes in Net Assets
Year Ended March 31, 2024

	Unrestricted	Endowments <i>(Note 7)</i>	2024	2023
NET ASSETS - BEGINNING OF YEAR	\$ 3,242,589	\$ 4,448,543	\$ 7,691,132	\$ 6,876,116
EXCESS OF REVENUES OVER EXPENSES	1,333,914	-	1,333,914	(32,919)
CONTRIBUTIONS	-	240	240	847,935
TRANSFERS TO ENDOWMENT FUND <i>(Note 7)</i>	(173,253)	173,253	-	-
NET ASSETS - END OF YEAR	\$ 4,403,250	\$ 4,622,036	\$ 9,025,286	\$ 7,691,132

STRATHROY MIDDLESEX GENERAL HOSPITAL FOUNDATION

**Statement of Operations
Year Ended March 31, 2024**

	2024	2023
REVENUES		
Philanthropic revenue	\$ 1,877,735	\$ 2,124,726
Management fees	249,022	161,221
Interest income	207,954	70,353
Dividend income	74,902	178,176
	<u>2,409,613</u>	<u>2,534,476</u>
EXPENSES		
Salaries and benefits	858,570	675,341
Administration and office (Note 10)	214,102	143,316
Professional fees	173,898	153,398
Fundraising	48,521	27,887
Amortization	19,828	19,247
Travel, education and governance	16,535	7,253
Interest on long term debt	9,280	-
Social enterprise	2,567	-
	<u>1,343,301</u>	<u>1,026,442</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>1,066,312</u>	<u>1,508,034</u>
OTHER INCOME		
Unrealized gain (loss) on marketable securities	933,322	(144,617)
Gain on sale of marketable securities	44,567	146,516
Canada Emergency Rent Subsidy	-	684
	<u>977,889</u>	<u>2,583</u>
	2,044,201	1,510,617
OTHER EXPENSES		
Donation to Strathroy Middlesex General Hospital (Note 10)	<u>710,287</u>	<u>1,543,536</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 1,333,914</u>	<u>\$ (32,919)</u>

STRATHROY MIDDLESEX GENERAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year Ended March 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 1,333,914	\$ (32,919)
Items not affecting cash:		
Amortization of capital assets	19,828	19,247
Gain on disposal of marketable securities	(44,567)	(146,516)
Change in unrealized gain of marketable securities	(933,322)	144,617
Gifts of securities/in kind	(842,585)	(437,114)
	<u>(466,732)</u>	<u>(452,685)</u>
Changes in non-cash working capital:		
Accounts receivable	(190,022)	(48,745)
Prepaid expenses	(57,730)	(41,901)
Accounts payable and accrued liabilities	(33,380)	58,893
Deferred income	23,980	(605,662)
Harmonized sales tax payable	4,703	(3,901)
	<u>(252,449)</u>	<u>(641,316)</u>
Cash flow used by operating activities	<u>(719,181)</u>	<u>(1,094,001)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(8,440)	(11,589)
Proceeds on disposal of capital assets	775,000	-
Repayment of loans and notes receivable	331,447	-
Addition to loans and notes receivable	(810,305)	-
Increase in endowments	240	847,935
Purchase of marketable securities	(2,139,446)	(960,267)
Disposal of marketable securities	3,156,472	1,447,272
Cash flow from investing activities	<u>1,304,968</u>	<u>1,323,351</u>
FINANCING ACTIVITIES		
Short term debt	5,000	-
Repayment of long term debt	(40,000)	-
Cash flow used by financing activities	<u>(35,000)</u>	<u>-</u>
INCREASE IN CASH FLOW	550,787	229,350
Cash - beginning of year	<u>555,439</u>	<u>326,089</u>
CASH - END OF YEAR	<u>\$ 1,106,226</u>	<u>\$ 555,439</u>

STRATHROY MIDDLESEX GENERAL HOSPITAL FOUNDATION
Notes to Financial Statements
Year Ended March 31, 2024

PURPOSE OF THE FOUNDATION

The Strathroy Middlesex General Hospital Foundation, a non-profit charitable organization within the meaning of the *Income Tax Act* was incorporated in Ontario without share capital on July 25, 1988. The Foundation generates revenue through fund raising and management of its investments to enhance or improve the services provided by or the facilities of Strathroy Middlesex General Hospital.

The Foundation is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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. Revenue from investments is recognized as it is earned.

The Foundation does not record pledges or bequest receivables, as collection cannot be reasonably assured.

The Foundation records endowment contributions as an increase in net assets.

Contributed materials and services

Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

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STRATHROY MIDDLESEX GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Equipment	5 years	straight-line method
Computer equipment	3 years	straight-line method
Televisions	5 years	straight-line method

The Foundation regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Life insurance premiums

The Foundation records life insurance premiums as revenue and a corresponding expense in the year incurred.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. 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. 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 re-measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

STRATHROY MIDDLESEX GENERAL HOSPITAL FOUNDATION
Notes to Financial Statements
Year Ended March 31, 2024

2. CAPITAL ASSETS

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Equipment	\$ 106,359	\$ 106,049	\$ 310	\$ 928
Computer equipment	210,213	195,151	15,062	17,302
Televisions	42,647	38,383	4,264	12,794
	<u>\$ 359,219</u>	<u>\$ 339,583</u>	<u>\$ 19,636</u>	<u>\$ 31,024</u>

3. PLEDGES RECEIVABLE

The Foundation has pledges receivable in the amount of \$2,607,884 (2023 - \$732,640) at the end of the year. These pledges consist of signed agreements to donate specific amounts over an agreed upon timeframe. Pledges receivable have not been reflected in the financial statements as collection of them cannot be reasonably assured.

4. MARKETABLE SECURITIES

	2024	2024 Market value	2023 Cost	2023 Market value
Cash and equivalents	\$ 6,389	\$ 6,389	\$ 28,473	\$ 28,473
Fixed income	1,493,381	1,538,820	1,472,156	1,505,732
Equities and mutual funds	3,643,548	4,813,736	4,548,856	4,796,292
	<u>\$ 5,143,318</u>	<u>\$ 6,358,945</u>	<u>\$ 6,049,485</u>	<u>\$ 6,330,497</u>

5. MARKETABLE SECURITIES

	2024	2023
Market Value of Investments by Type		
Reserve investments	\$ 130,355	\$ 479,200
Restricted investments	1,584,890	1,335,885
Endowments	4,643,700	4,515,412
	<u>\$ 6,358,945</u>	<u>\$ 6,330,497</u>

The restricted investments are held by the Foundation relating to MRI related renovations. Once these projects have commenced the funds will be released to the Strathroy Middlesex General Hospital.

See note 7. for descriptions of the endowments held by the Foundation.

STRATHROY MIDDLESEX GENERAL HOSPITAL FOUNDATION
Notes to Financial Statements
Year Ended March 31, 2024

6. SHORT TERM DEBT

The Foundation has a \$300,000 revolving line of credit of which \$5,000 was used as at March 31, 2024. Bank advances on the credit line are payable on demand and bears interest at 1.4% over prime. The credit line is secured by a General Security Agreement.

7. ENDOWMENTS

	<u>2024</u>	<u>2023</u>
Eastman Endowment	\$ 974,039	\$ 937,477
Sharpe Endowment (to purchase patient care equipment)	135,122	130,050
Crowley/Doan Endowment (to fund the education and recruitment of medical professionals)	191,575	184,384
Mary Trudell Endowment (breast health education)	44,267	42,605
Mary Wright Endowment (bursaries for hospital staff and physicians pursuing continuing education)	32,674	31,448
Anonymous Endowment (Diagnostic Services)	211,956	204,000
Marion Lillian Waters Endowment (patient care equipment for Diagnostic Services)	3,005,863	2,893,035
Yvonne and Bruce Lambert Endowment (to fund the education of medical professionals)	<u>26,540</u>	<u>25,544</u>
	<u>\$ 4,622,036</u>	<u>\$ 4,448,543</u>

The above endowments have been received by the Foundation. If a restriction is imposed on how the income earned can be spent, it has been noted, otherwise, the earned income is unrestricted. The earned income is included in the net investment income on the statement of operations.

Due to market fluctuations, the Crowley/Doan Endowment fair market value is currently \$4,195 below the original endowment contribution.

The endowment investments earned net investment income totalling \$73,534 during fiscal 2024.

In the prior year, the Board approved an endowment management policy to increase the base of the endowment funds based on the Consumer Price Index (CPI) annual increase as at the preceding December 31st (2024 - 3.9%, 2023 - 2%). Included in the total endowment balance is \$243,853 transferred under this policy.

STRATHROY MIDDLESEX GENERAL HOSPITAL FOUNDATION
Notes to Financial Statements
Year Ended March 31, 2024

8. Pension Plan

Substantially all of the full-time employees are members of the Healthcare of Ontario Pension Plan (HOOPP), a multi-employer pension plan. HOOPP is a defined benefit plan that specifies the amount of retirement benefits to be received by the employees based on the length of service and rates of pay. There is not sufficient information available to use defined benefit accounting, therefore, the organization accounts for the plan as if it were a defined contribution plan. HOOPP reconciles contributions annually for the Foundation. As of March 31, 2024 the Foundation is not in a deficit for payments. Contributions to the plan made during the year by the Foundation on behalf of these employees amounted to \$64,508 (2023 - \$53,118) and are included in salaries and benefits in the statement of operations.

9. PROMISSORY NOTE RECEIVABLE

On March 31, 2021 the Foundation sold its shares in 2518153 Ontario Inc. to The SMGHF Trust for a promissory note with a principal value of \$538,185 that bears interest at prime plus 1% and is repayable over 10 years. The current portion of this promissory note receivable is \$142,942, with \$322,911 remaining as long term.

The SMGHF Trust distributed \$Nil (2023 - \$53,819) to the Foundation during the year which is payable subject to the terms of a promissory note. \$53,819 from 2023 is still outstanding as a promissory note receivable.

On March 21, 2023 the Foundation sold land to 2518153 Ontario Inc. for a demand promissory note with a principal value of \$350,000 that bears interest at prime plus 3%. During the year, the Foundation sold additional land to 2518153 Ontario Inc. for another demand promissory note with a principal value of \$775,000 that bears interest at prime plus 3%. The remaining balance outstanding as of March 31, 2024 is \$65,966 for both demand promissory notes, with payments being made when funds are readily available.

The Foundation gave loans for construction to 2518153 Ontario Inc., with the principal amounts for the year totalling \$690,000, bearing interest at prime plus 3%, using the RBC credit line for the loans. The remaining balance outstanding as of March 31, 2024 is \$727,587 (including accrued interest), with payments being made when funds are readily available.

STRATHROY MIDDLESEX GENERAL HOSPITAL FOUNDATION
Notes to Financial Statements
Year Ended March 31, 2024

10. RELATED PARTY TRANSACTIONS

Strathroy Middlesex General Hospital exercises significant influence over Strathroy Middlesex General Hospital Foundation by virtue of its ability to appoint a member to the Foundation's board of directors.

The Foundation donates funds to the Strathroy Middlesex General Hospital for various operating expenses and capital projects. The current year donations totalled \$710,287 (2023 - 1,543,536).

Strathroy Middlesex General Hospital Foundation maintains an office in premises owned by Strathroy Middlesex General Hospital at an annual rent of \$12,940 (2023 - \$12,613). The rent expense is included in Donation to Strathroy Middlesex General Hospital on the statement of operations.

11. LONG TERM DEBT

During a prior year, the Foundation received the Canada Emergency Business Account loan with proceeds of \$60,000. \$40,000 was repaid during the year, and as a result \$20,000 of the loan is deemed as forgivable. The forgivable portion of the loan has been included in the Statement of Operations in a prior year.

12. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments and has a comprehensive risk management framework in place to monitor, evaluate and manage these risks. The following analysis provides information about the Foundation's risk exposure and concentration. There have been no significant change to the nature or concentration of these risks from the prior year, unless otherwise noted.

In the opinion of management, the company is not exposed to significant market, or other price risks arising from its financial instruments.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Foundation is exposed to credit risk from donors.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its receipt of funds from its donors and accounts payable and accrued liabilities.

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STRATHROY MIDDLESEX GENERAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2024

12. FINANCIAL INSTRUMENTS *(continued)*

Currency risk

Currency risk is the risk to the Foundation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Foundation is exposed to foreign currency exchange risk on the following items held in U.S. dollars (as expressed in Canadian dollars):

	<u>2024</u>	<u>2023</u>
Marketable securities	\$ 2,313,367	\$ 2,369,786

The Foundation does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through its normal operating and financing activities. The Foundation is exposed to interest rate risk primarily through the affect on the value of its fixed income denominated investments.

13. CONTRACTUAL OBLIGATIONS

The Foundation provides funding to the Strathroy Middlesex General Hospital to finance certain equipment leases. Expected annual payments are as follows:

2025	\$ 131,514
2026	<u>37,920</u>
	<u>\$ 169,434</u>

14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
