

Financial Statements of
**MISERICORDIA HEALTH CENTRE
FOUNDATION INC.**

For the Year Ended March 31, 2020

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For the Year Ended March 31, 2020

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Independent Auditor's Report

To the Board of Directors of Misericordia Health Centre Foundation Inc.

Qualified Opinion

We have audited the financial statements of Misericordia Health Centre Foundation Inc. ("the Foundation"), which comprise the statement of financial position as at March 31, 2020, the statement of operations, statement of changes in fund balances, and statement of 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, 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 fundraising activities and donations generated from events, 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 revenue 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.

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.

Chartered Professional Accountants

Winnipeg, Manitoba
June 25, 2020

MISERICORDIA HEALTH CENTRE FOUNDATION INC.
Statement of Financial Position
As at March 31, 2020

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>2020 Total</u>	<u>2019 Total</u>
ASSETS				
CURRENT				
Cash and bank	\$ 1,092,749	\$ 285,646	\$ 1,378,395	\$ 1,845,493
Investments (Note 2)	-	18,194	18,194	39,258
Accounts receivable	23,690	-	23,690	3,517
Prepaid expenses	19,895	-	19,895	13,670
	<u>1,136,334</u>	<u>303,840</u>	<u>1,440,174</u>	<u>1,901,938</u>
INVESTMENTS (Note 2)	-	572,325	572,325	844,569
CAPITAL ASSETS (Note 3)	-	-	-	-
DUE FROM FUNDS	80,561	(80,561)	-	-
	<u>1,216,895</u>	<u>795,604</u>	<u>2,012,499</u>	<u>2,746,507</u>
LIABILITIES				
Accounts payable and accrued liabilities	11,785	-	11,785	35,604
Deferred revenue	13,055	-	13,055	17,083
Due to Misericordia Health Centre (Note 4)	82,244	-	82,244	94,513
	<u>107,084</u>	<u>-</u>	<u>107,084</u>	<u>147,200</u>
ACCRUED RETIREMENT OBLIGATIONS (Note 5)	23,000	-	23,000	18,034
	<u>130,084</u>	<u>-</u>	<u>130,084</u>	<u>165,234</u>
FUND BALANCES				
GENERAL				
Undesignated	29,563	-	29,563	52,459
Designated	902,001	-	902,001	874,406
Capital Campaign	155,247	-	155,247	858,804
ENDOWMENT				
General	-	747,803	747,803	747,803
Specific	-	47,801	47,801	47,801
	<u>1,086,811</u>	<u>795,604</u>	<u>1,882,415</u>	<u>2,581,273</u>
	<u>\$ 1,216,895</u>	<u>\$ 795,604</u>	<u>\$ 2,012,499</u>	<u>\$ 2,746,507</u>

APPROVED BY THE BOARD OF DIRECTORS:



Director



Director

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Statement of Operations

For the Year Ended March 31, 2020

	General Fund		Endowment Fund		Total	
	2020	2019	2020	2019	2020	2019
REVENUE						
Capital campaign (Schedule 2)	\$ 49,783	\$ 49,779	\$ -	\$ -	\$ 49,783	\$ 49,779
Fundraising campaigns (Note 9)	470,715	690,969	-	142,332	470,715	833,301
Fundraising projects (Schedule 3)	308,661	278,644	-	-	308,661	278,644
Investment income	(67,841)	38,659	-	-	(67,841)	38,659
	761,318	1,058,051	-	142,332	761,318	1,200,383
EXPENSES						
Administrative expenses (Schedule 1)	340,231	395,613	-	-	340,231	395,613
Capital campaign (Schedule 2)	3,340	1,690	-	-	3,340	1,690
Fundraising campaigns	27,290	29,143	-	-	27,290	29,143
Fundraising projects (Schedule 3)	118,346	116,722	-	-	118,346	116,722
	489,207	543,168	-	-	489,207	543,168
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES						
FOR THE YEAR BEFORE OTHER PROJECTS	272,111	514,883	-	142,332	272,111	657,215
FUNDS PROVIDED TO MISERICORDIA						
HEALTH CENTRE PROJECTS						
Future of Care campaign (Schedule 2)	(750,000)	-	-	-	(750,000)	-
Other projects - Undesignated	(27,964)	(26,191)	-	-	(27,964)	(26,191)
Other projects - Designated	(193,005)	(189,097)	-	-	(193,005)	(189,097)
	(970,969)	(215,288)	-	-	(970,969)	(215,288)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES						
FOR THE YEAR	\$ (698,858)	\$ 299,595	\$ -	\$ 142,332	\$ (698,858)	\$ 441,927

MISERICORDIA HEALTH CENTRE FOUNDATION INC.
Statement of Changes in Fund Balances
For the Year Ended March 31, 2020

	General Fund			Endowment Fund		Total	
	Undesignated	Designated	Capital Campaign	General	Specific	2020	2019
FUND BALANCES, BEGINNING OF YEAR	\$ 52,459	\$ 874,406	\$ 858,804	\$ 747,803	\$ 47,801	\$ 2,581,273	\$ 2,139,346
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	(16,441)	21,140	(703,557)	-	-	(698,858)	441,927
TRANSFER BETWEEN GENERAL FUNDS	(6,455)	6,455	-	-	-	-	-
FUND BALANCES, END OF YEAR	\$ 29,563	\$ 902,001	\$ 155,247	\$ 747,803	\$ 47,801	\$ 1,882,415	\$ 2,581,273

MISERICORDIA HEALTH CENTRE FOUNDATION INC.**Statement of Cash Flows**

For the Year Ended March 31, 2020

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	\$ (698,858)	\$ 441,927
Items not affecting cash		
Unrealized losses on investments	145,761	4,038
	(553,097)	445,965
Change in non-cash working capital items		
Accounts receivable	(20,173)	(1,049)
Prepaid expenses	(6,225)	16,420
Accounts payable and accrued liabilities	(23,819)	4,228
Deferred revenue	(4,028)	(28,867)
Due to Misericordia Health Centre	(12,269)	(52,347)
Accrued retirement obligations	4,966	-
	(614,645)	384,350
INVESTING ACTIVITIES		
Net proceeds from sale (purchase) of investments	147,547	(106,787)
Net increase (decrease) in cash and bank during the year	(467,098)	277,563
Cash and bank, beginning of year	1,845,493	1,567,930
Cash and bank, end of year	\$ 1,378,395	\$ 1,845,493

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Notes to the Financial Statements

For the Year Ended March 31, 2020

1. NATURE OF THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Nature of the Foundation*

Misericordia Health Centre Foundation Inc.'s (the "Foundation") aims and objectives are to raise, invest and allocate funds generally to or for the benefit of Misericordia Health Centre. The Foundation is incorporated under The Corporations Act of Manitoba, is a registered charity for purposes of The Income Tax Act and accordingly is exempt from income taxes.

b) *Basis of Accounting*

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

c) *Fund Accounting*

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

The General Fund is available for distribution in accordance with the aims and objectives of the Foundation at the discretion of the Board.

The Endowment Fund reports funds contributed for endowment.

d) *Revenue Recognition*

All contributions to the Foundation are for expenditure on Misericordia Health Centre projects. As such, all contributions are restricted and recognized in the General Fund. Endowment contributions are recorded as revenue in the Endowment Fund.

Unrestricted investment income is recognized as revenue of the General Fund. Investment income earned on designated funds is recognized in the respective restricted fund. Investment income earned on Endowment Funds required to be maintained permanently is recognized as revenue of the specific Endowment Fund.

Fundraising revenue is recognized in the period the event occurs providing the amount can be estimated and collection is reasonably assured. Donation revenue is recognized when received. Contributions for capital assets used by the Foundation are deferred and amortized into revenue at the same rate of amortization as the underlying asset.

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Notes to the Financial Statements

For the Year Ended March 31, 2020

1. NATURE OF THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) *Financial Instruments*

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 shares 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 remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

f) *Capital Assets*

Capital assets are stated at cost less accumulated amortization, and are amortized over their estimated useful lives at the following rates on a straight-line basis:

Computer equipment	3 years
Donor wall	5 years

g) *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 revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Notes to the Financial Statements

For the Year Ended March 31, 2020

2. INVESTMENTS

The following investments were held by the Foundation at year end:

	2020	2019
SHORT-TERM		
Endowment Fund		
Government and corporate bonds	\$ 18,194	\$ 39,258
Total Short-Term	\$ 18,194	\$ 39,258
LONG-TERM		
General Fund		
Common shares	\$ -	\$ 223,956
Endowment Fund		
Common shares	402,451	406,895
Government and corporate bonds	125,936	148,655
Preferred shares	43,938	65,063
Total Long-Term	\$ 572,325	\$ 844,569
TOTAL INVESTMENTS	\$ 590,519	\$ 883,827

3. CAPITAL ASSETS

	2020		2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 10,609	\$ 10,609	\$ -	\$ -
Donor Wall	86,849	86,849	-	-
	\$ 97,458	\$ 97,458	\$ -	\$ -

4. DUE TO MISERICORDIA HEALTH CENTRE

Balances due to the Misericordia Health Centre are a result of transactions occurring in the normal course of operations, are unsecured, non-interest bearing and have no fixed terms of repayment.

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Notes to the Financial Statements

For the Year Ended March 31, 2020

5. ACCRUED RETIREMENT OBLIGATIONS

Based upon collective agreements and/or non-union policy, employees of the Foundation are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Foundation Group Pension Plan. The Foundation's contractual commitment is to pay four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

- i. has 10 years service and has reached the age 55
- ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
- iii. retires at or after age 65
- iv. terminates employment at any time due to permanent disability

The Foundation undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2020. The significant actuarial assumptions adopted in measuring the Foundation's accrued retirement obligations include mortality and withdrawal rates, a discount rate of 2.60% (3.10% in 2019) and a rate of salary increase of 3.50% (3.50% in 2019) plus age related merit/promotion scale with no provision for disability.

Accrued retirement obligations for qualifying employees is \$23,000 as at March 31, 2020 (2019 - \$18,034).

6. PENSION PLAN

Substantially all of the employees of the Foundation are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last eleven years prior to retirement, termination or death that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 7.90% of salary, 9.50% for salaries greater than \$52,500 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Notes to the Financial Statements

For the Year Ended March 31, 2020

6. PENSION PLAN (continued)

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2018 indicated that the Plan is in deficit. The deficiency will be funded out of the current contributions in the subsequent years. On April 1, 2013, both employer and employee contribution rates increased to 7.90% of pensionable earnings up to year's maximum pensionable earnings ("YMPE") and 9.50% on earnings in excess of the YMPE.

Contributions to the Plan made during the year by the Foundation on behalf of its employees amounted to \$16,283 (\$19,763 in 2019) and are included in the Statement of Operations and Changes in Fund Balances.

7. FINANCIAL RISK MANAGEMENT

The Foundation is exposed to different types of risk in the normal course of operations, including credit risk and market risk (interest rate and foreign exchange risk). The Foundation's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Foundation's activities.

a) *Credit Risk*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Foundation. Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist primarily of cash and bank, accounts receivable and investments.

Credit risk is increased where a significant portion of the portfolio is invested in securities which have similar characteristics or which are expected to follow similar variations relating to economic or political conditions. The risk of excess concentration is mitigated by an investment policy established by the Board of Directors.

The Foundation is not exposed to significant credit risk relating to accounts receivable as these receivables are primarily from the Federal government. Credit risk has not changed from the prior year.

b) *Liquidity Risk*

Liquidity risk is the risk that the Foundation will not be able to meet its obligations as they fall due. The Foundation maintains adequate levels of working capital to ensure all its obligations can be met when they fall due. Liquidity risk has not changed from the prior year.

MISERICORDIA HEALTH CENTRE FOUNDATION INC.
Notes to the Financial Statements
For the Year Ended March 31, 2020

7. FINANCIAL RISK MANAGEMENT (continued)

c) *Interest Rate Risk*

Interest rate risk refers to the adverse consequences of interest rate changes in the Foundation's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Foundation's assets. The value of the Foundation's assets is affected by short-term changes in nominal interest rate and equity markets. Interest rate risk is mitigated by following the Foundation's investments policy established by the Board of Directors. Interest rate risk has not changed from the prior year.

d) *Market Risk*

Market Risk is the potential for financial loss arising from price changes or volatility in equity markets. Market risk is mitigated by following the Foundation's investment policy established by the Board of Directors. Market risk has not changed from the prior year.

8. CAPITAL CAMPAIGN

The Foundation entered into a capital campaign to raise up to \$5,500,000, net of fundraising costs, as part of the funding required for the redevelopment of certain buildings, as well as a rooftop garden and solarium, in the Misericordia Health Centre. As at March 31, 2020, the Foundation has raised \$5,488,580 net of fundraising costs toward its commitment. The financial statements do not include outstanding pledges of \$100,000 at March 31, 2020. As at March 31, 2020, the Foundation has granted \$5,333,334 to the Misericordia Health Centre.

9. LIFE INSURANCE POLICIES

The Foundation is the beneficiary of several life insurance policies that are not recorded as assets in the financial statements.

During the year, the Foundation received proceeds from life insurance policies in the amount of \$Nil (\$400,937 in 2019).

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Notes to the Financial Statements

For the Year Ended March 31, 2020

10. UNCERTAINTY DUE TO COVID-19 PANDEMIC

On March 13, 2020, the World Health Organization declared COVID-19 a global pandemic. This has had adverse impacts in Canada and has had a significant effect on the financial markets. As this continues, there could be further impact on the Foundation, its donors and its investments. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, industry and workforce. As a result, management anticipates a temporary decline in donation revenue and it has postponed and/or cancelled a number of its significant fundraisers. The Foundation's investments (Note 2) measured at fair value are reported in these financial statements at their fair value on March 31, 2020. These investments are experiencing fluctuations in value. The extent of any future impact on the Foundation's investments as a result of the COVID-19 pandemic is unknown. Given the daily evolution of the pandemic and the global responses to curb its spread, the Foundation is not able to estimate fully the effects at this time.

MISERICORDIA HEALTH CENTRE FOUNDATION INC.
Schedule of Administrative Expenses
For the Year Ended March 31, 2020

	<u>2020</u>	<u>2019</u>
Business fees	\$ 26,345	\$ 24,914
Mileage and parking	3,545	4,575
Equipment and software maintenance	13,088	12,636
Office supplies and courier	10,754	5,186
Public relations and promotion	8,907	8,565
Salaries and benefits	277,562	339,417
Staff development and education	30	320
	<u>\$ 340,231</u>	<u>\$ 395,613</u>

MISERICORDIA HEALTH CENTRE FOUNDATION INC.
Schedule of Capital Campaign Funds
For the Year Ended March 31, 2020

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 858,804	\$ 810,715
Capital campaign revenue	49,783	49,779
Capital campaign expenses	(3,340)	(1,690)
Funds provided to Misericordia Health Centre for Future of Care campaign	(750,000)	-
Balance, end of year	\$ 155,247	\$ 858,804

MISERICORDIA HEALTH CENTRE FOUNDATION INC.
Schedule of Fundraising Projects
For the Year Ended March 31, 2020

	2020			2019		
	Revenue	Expenses	Net	Revenue	Expenses	Net
Gala	\$ 179,103	\$ 79,071	\$ 100,032	\$ 168,057	\$ 70,866	\$ 97,191
Golf Classic	129,558	39,275	90,283	110,587	45,856	64,731
Total	\$ 308,661	\$ 118,346	\$ 190,315	\$ 278,644	\$ 116,722	\$ 161,922