

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Financial Statements

For the year ended March 31, 2023

Draft subject to change

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Financial Statements

For the year ended March 31, 2023

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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, 2023, and 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, 2023, 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 fundraising 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, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended March 31, 2022 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 __, 2023

MISERICORDIA HEALTH CENTRE FOUNDATION INC.
Statement of Financial Position

As at March 31, 2023

	General Fund	Endowment Fund	2023	2022
Assets				
Cash and bank	\$ 2,626,342	\$ 575,649	\$ 3,201,991	\$ 2,953,482
Accounts receivable and other	9,821	-	9,821	8,083
Investments (Note 3)	26,877	484,472	511,349	653,067
Capital assets (Note 4)	-	-	-	-
Interfund balance due	243,221	(243,221)	-	-
	\$ 2,906,261	\$ 816,900	\$ 3,723,161	\$ 3,614,632
Liabilities				
Accounts payable and accrued liabilities	\$ 81,863	\$ -	\$ 81,863	\$ 17,023
Due to Misericordia Health Centre (Note 5)	241,235	-	241,235	395,898
Accrued retirement obligations (Note 7)	27,902	-	27,902	27,902
	351,000	-	351,000	440,823
Fund Balances				
General				
Unrestricted	550,682	-	550,682	534,581
Restricted	2,004,579	-	2,004,579	1,825,205
Endowment				
General	-	747,803	747,803	747,803
Specific	-	69,097	69,097	66,220
	2,555,261	816,900	3,372,161	3,173,809
	\$ 2,906,261	\$ 816,900	\$ 3,723,161	\$ 3,614,632

Approved by the Board of Directors: _____

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Statement of Operations

For the year ended March 31, 2023

	General Fund		Endowment Fund		Total	
	2023	2022	2023	2022	2023	2022
Revenue						
Capital campaign	\$ -	\$ 84,423	\$ -	\$ -	\$ -	\$ 84,423
Fundraising campaigns (Schedule 1)	838,743	1,170,187	-	-	838,743	1,170,187
Fundraising events (Schedule 2)	293,167	248,182	-	-	293,167	248,182
Investment income	4,966	52,817	2,877	3,475	7,843	56,292
Lottery	362,720	-	-	-	362,720	-
	1,499,596	1,555,609	2,877	3,475	1,502,473	1,559,084
Expenses						
Administrative expenses	524,060	519,372	-	-	524,060	519,372
Fundraising campaigns	111,628	131,712	-	-	111,628	131,712
Fundraising events (Schedule 2)	121,197	37,930	-	-	121,197	37,930
Lottery	426,674	-	-	-	426,674	-
	1,183,559	689,014	-	-	1,183,559	689,014
Excess of revenue over expenses before other projects	316,037	866,595	2,877	3,475	318,914	870,070
Funds Provided to Misericordia Health Centre Projects						
Designated Projects						
Undesignated Fund	(30,976)	(29,606)	-	-	(30,976)	(29,606)
Other Designated Funds	(89,586)	(556,588)	-	-	(89,586)	(556,588)
Future of Care campaign	-	(238,618)	-	-	-	(238,618)
	(120,562)	(824,812)	-	-	(120,562)	(824,812)
Excess of revenue over expenses for the year	\$ 195,475	\$ 41,783	\$ 2,877	\$ 3,475	\$ 198,352	\$ 45,258

MISERICORDIA HEALTH CENTRE FOUNDATION INC.
Statement of Changes in Fund Balances

For the year ended March 31, 2023

	<u>General Fund</u>		<u>Endowment Fund</u>		2023	2022
	<u>Unrestricted</u>	<u>Restricted</u>	<u>General</u>	<u>Specific</u>		
Fund balance, beginning of year	\$ 534,581	\$ 1,825,205	\$ 747,803	\$ 66,220	\$ 3,173,809	\$ 3,128,551
Excess of revenue over expenses for the year	16,101	179,374	-	2,877	198,352	45,258
Fund balance, end of year	\$ 550,682	\$ 2,004,579	\$ 747,803	\$ 69,097	\$ 3,372,161	\$ 3,173,809

MISERICORDIA HEALTH CENTRE FOUNDATION INC. Statement of Cash Flows

For the year ended March 31	2023	2022
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	\$ 198,352	\$ 45,258
Items not affecting cash		
Unrealized loss on investments	60,582	42,356
	258,934	87,614
Change in non-cash working capital items		
Accounts receivable and other	(1,738)	8,397
Accounts payable and accrued liabilities	64,840	(22,848)
Deferred revenue	-	(3,200)
Due to Misericordia Health Centre	(154,663)	261,269
Accrued retirement obligations	-	2,507
	167,373	333,739
Cash Flows from Investing Activities		
Proceeds on sale of investments net of acquisitions	81,136	(3,945)
Cash Flows from Financing Activities		
	-	-
Net increase in cash and bank during the year	248,509	329,794
Cash and bank, beginning of year	2,953,482	2,623,688
Cash and bank, end of year	\$ 3,201,991	\$ 2,953,482

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2023

1. 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 and designated as a public foundation for purposes of The Income Tax Act and accordingly is exempt from income taxes.

2. Summary of Significant Accounting Policies

a) Basis of Accounting

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

b) Fund Accounting

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

The General Fund includes unrestricted resources and non-endowment restricted funds, and accounts for the program delivery and administrative activities.

The Endowment Fund includes resources contributed for endowment.

c) 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.

All unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund when funds are received.

Realized investment income and unrealized gains (losses) earned on Endowment or Restricted Funds resources are recognized as revenue of the corresponding Endowment or Restricted Funds, in accordance with Board policy. Other realized investment income and unrealized gains (losses) are recognized as revenue of the General Fund when earned.

Fundraising and lottery revenue is recognized in the period the event occurs providing the amount can be estimated and collection is reasonably assured.

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2023

2. Summary of Significant Accounting Policies (continued)

d) 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.

e) 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:

Donor wall 5 years

f) 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.

3. Investments

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

	<u>2023</u>		<u>2022</u>
Common shares	\$ 449,522	\$	498,989
Government and corporate bonds	-		54,778
Preferred shares	<u>61,827</u>		<u>99,300</u>
	<u>\$ 511,349</u>	<u>\$</u>	<u>653,067</u>

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2023

4. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Donor Wall	\$ 86,849	\$ 86,849	\$ -	\$ -

5. Balance Due to the Misericordia Health Centre

The balance due to the Misericordia Health Centre is a result of transactions occurring in the normal course of operations, is unsecured, non-interest bearing and has no fixed terms of repayment.

6. 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:

- has 10 years service and has reached the age 55
- qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
- retires at or after age 65
- 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, 2023. The significant actuarial assumptions adopted in measuring the Foundation's accrued retirement obligations include mortality and withdrawal rates, a discount rate of ____% (4.00% in 2022) and a rate of salary increase of ____% (3.00% in 2022) plus age related merit/promotion scale with provision for disability.

Accrued retirement obligations for qualifying employees is \$27,902 as at March 31, 2023 (\$27,902 in 2022).

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2023

7. 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 under \$61,600 and \$64,900, 9.50% for salaries greater than \$61,600 and \$64,900 contributed by employees for calendar years 2022 and 2023, respectively, 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.

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, 2021 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 \$32,949 (\$28,872 in 2022) and are included in the Statement of Operations.

MISERICORDIA HEALTH CENTRE FOUNDATION INC.

Notes to Financial Statements

For the year ended March 31, 2023

8. 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) Equity Market Risk

Equity market risk is the potential for financial loss arising from price changes or volatility in equity markets. Certain Foundation investments are subject to equity market risk. Equity market risk is mitigated by the Foundation's Investment Policy which specified an acceptable asset mix for the Foundation's investment portfolio. Equity market risk has not changed from the prior year.

b) Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Foundation is exposed to credit risk relating to its cash and bank. The Foundation is exposed to concentration risk since its cash and bank balance exceeds the balance guaranteed by Canada Deposit Insurance Corporation from time to time. Credit risk has not changed from the prior year.

c) Liquidity Risk

Liquidity risk is the risk that the Foundation will not be able to meet its obligations as they fall due. The Foundation is exposed to liquidity risk relating to its accounts payable. The Foundation manages its liquidity to maintain 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.

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 current and prior year, the Foundation did not receive any proceeds from life insurance policies.

MISERICORDIA HEALTH CENTRE FOUNDATION INC.
Schedule 1 - Schedule of Fundraising Campaigns Revenue

For the year ended March 31	2023	2022
Donations		
Designated	277,868	753,182
Undesignated	560,875	417,005
	<hr/>	<hr/>
	\$ 838,743	\$ 1,170,187

Draft subject to change

MISERICORDIA HEALTH CENTRE FOUNDATION INC.
Schedule 2 - Schedule of Fundraising Events

For the year ended March 31, 2023

	2023			2022		
	Revenue	Expenses	Net	Revenue	Expenses	Net
Gala	\$ 184,635	\$ 93,468	\$ 91,167	\$ 150,927	\$ 32,247	\$ 118,680
Golf Classic	108,532	27,729	80,803	97,255	5,683	91,572
	\$ 293,167	\$ 121,197	\$ 171,970	\$ 248,182	\$ 37,930	\$ 210,252

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