

BRIGHTSHORES HEALTH SYSTEM OWEN SOUND FOUNDATION

FINANCIAL STATEMENTS

MARCH 31, 2024

BRIGHTSHORES HEALTH SYSTEM OWEN SOUND FOUNDATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of **Brightshores Health System Owen Sound Foundation**:

Qualified Opinion

We have audited the financial statements of **Brightshores Health System Owen Sound Foundation** (the Foundation), which comprise the statement of financial position as at March 31, 2024 and the statements of changes in fund balances, operations, and cash flow 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 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

Brightshores Health System Owen Sound Foundation derives revenue from charitable donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation. Consequently, we were unable to determine whether any adjustments were necessary to revenues, excess of revenues over expenditures, and cash flows for the years ended March 31, 2024 and March 31, 2023 and assets and fund balances as at March 31, 2024 and March 31, 2023. Our audit opinion for both years was modified accordingly because of the possible effect of this scope limitation.

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 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 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
Licensed Public Accountants
Owen Sound, Ontario
June 25, 2024

BRIGHTSHORES HEALTH SYSTEM OWEN SOUND FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

	General Fund \$	Endowment Fund \$	2024 \$	2023 \$
Assets				
Current				
Cash	123,721	6,497	130,218	146,943
Accounts receivable	-	-	-	5,000
HST receivable	10,300	8,183	18,483	14,678
	<u>134,021</u>	<u>14,680</u>	<u>148,701</u>	<u>166,621</u>
Investments (Note 2)	-	19,613,995	19,613,995	18,258,337
	<u>134,021</u>	<u>19,628,675</u>	<u>19,762,696</u>	<u>18,424,958</u>
Liabilities and fund balances				
Current				
Due to Brightshores Health System (Note 3)	38,090	-	38,090	33,571
Accounts payable	16,681	26,488	43,169	50,650
Due to (from) other funds	12,559	(12,559)	-	-
	<u>67,330</u>	<u>13,929</u>	<u>81,259</u>	<u>84,221</u>
Restricted (Note 4)	-	19,614,746	19,614,746	18,239,472
Unrestricted	66,691	-	66,691	101,265
	<u>66,691</u>	<u>19,614,746</u>	<u>19,681,437</u>	<u>18,340,737</u>
	<u>134,021</u>	<u>19,628,675</u>	<u>19,762,696</u>	<u>18,424,958</u>

Approved on behalf of the board

_____ Director

_____ Director

BRIGHTSHORES HEALTH SYSTEM OWEN SOUND FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31

	General Fund \$	Endowment Fund \$	2024 \$	2023 \$
Balance at beginning of year	101,265	18,239,472	18,340,737	19,282,947
Excess of revenue over expenditures (expenditures over revenue)	(34,574)	1,375,274	1,340,700	(942,210)
Fund balance at end of year	66,691	19,614,746	19,681,437	18,340,737

See accompanying notes to the financial statements

BRIGHTSHORES HEALTH SYSTEM OWEN SOUND FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31

	General Fund \$	Endowment Fund \$	2024 \$	2023 \$
Revenue				
Donations, fundraising and bequests				
- General fund	2,794,589	-	2,794,589	2,902,518
- Endowment fund	-	284,634	284,634	113,387
- MRI	54,310	-	54,310	321,995
Investment income (Note 2)	33,708	878,630	912,338	638,508
	<u>2,882,607</u>	<u>1,163,264</u>	<u>4,045,871</u>	<u>3,976,408</u>
Expenses				
Advertising and public relations	9,673	-	9,673	4,312
Bookkeeping	4,700	-	4,700	3,843
Donor recognition and committee expenses	10,308	-	10,308	4,597
Office, bank fees and postage	29,664	-	29,664	25,869
Professional services	20,700	-	20,700	23,759
Salaries and employee benefits	424,082	-	424,082	361,844
Staff training and travel	16,701	-	16,701	7,356
	<u>515,828</u>	<u>-</u>	<u>515,828</u>	<u>431,580</u>
Fundraising general fund	238,661	-	238,661	202,829
Investment fees	-	94,358	94,358	90,185
	<u>754,489</u>	<u>94,358</u>	<u>848,847</u>	<u>724,594</u>
Excess of revenue over expenditures before unrealized gains (losses) and contributions	2,128,118	1,068,906	3,197,024	3,251,814
Unrealized gains (losses) on fair value investments	<u>-</u>	<u>1,226,008</u>	<u>1,226,008</u>	<u>(716,724)</u>
Excess of revenue over expenditures before contributions	2,128,118	2,294,914	4,423,032	2,535,090
Contributions to Brightshores Health System	<u>(2,162,692)</u>	<u>(919,640)</u>	<u>(3,082,332)</u>	<u>(3,477,300)</u>
Excess of revenue over expenditures (expenditures over revenue)	<u>(34,574)</u>	<u>1,375,274</u>	<u>1,340,700</u>	<u>(942,210)</u>

See accompanying notes to the financial statements

BRIGHTSHORES HEALTH SYSTEM OWEN SOUND FOUNDATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED MARCH 31

	General Fund \$	Endowment Fund \$	2024 \$	2023 \$
Cash provided by (used for)				
Operating activities				
Excess of revenue over expenditures (expenditures over revenue)	(34,574)	1,375,274	1,340,700	(942,210)
Items not involving cash				
Charitable remainder trust	-	(536)	(536)	(537)
Unrealized losses (gains) on fair value investments	-	(1,226,008)	(1,226,008)	716,724
	(34,574)	148,730	114,156	(226,023)
Change in				
Accounts receivable	5,000	-	5,000	(5,000)
HST receivable	(1,523)	(2,282)	(3,805)	12,645
Due to Brightshores Health System	4,519	-	4,519	7,693
Due to (from) other funds	12,559	(12,559)	-	-
Accounts payable	(9,203)	1,722	(7,481)	8,400
	(23,222)	135,611	112,389	(202,285)
Investing				
Sale (purchase) of investments (net)	-	(129,114)	(129,114)	5,156
Change in cash	(23,222)	6,497	(16,725)	(197,129)
Cash at beginning of year	146,943	-	146,943	344,072
Cash at end of year	123,721	6,497	130,218	146,943

See accompanying notes to the financial statements

BRIGHTSHORES HEALTH SYSTEM OWEN SOUND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2024

Purpose and status

The purpose of the Foundation is to receive, accumulate and distribute funds and/or the income to Brightshores Health System.

The Foundation was incorporated without share capital, under the laws of Ontario and has been classified as a Public Foundation under the Income Tax Act of Canada and as such is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as a Public Foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met. On February 9, 2023, the Foundation was continued under section 211 of the Canada Not-for-profit Corporations Act.

During the year the Foundation officially changed its name from Owen Sound Regional Hospital Foundation to Brightshores Health System Owen Sound Foundation (Foundation).

1. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies applied in accordance with these standards are as follows:

(a) Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

The General Fund accounts for the program delivery and administrative activities.

The Endowment Fund reports contributions where either external or internal restrictions require that the principal must be maintained permanently.

(b) Financial instruments

The Foundation measures its financial assets and financial liabilities initially at fair value. Subsequently, financial assets and financial liabilities are measured either at fair value or amortized cost. Financial instruments measured at amortized cost are tested for impairment annually.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include due to Brightshores Health System and accounts payable.

Investments: The Charitable Remainder Trust is measured at net present value which approximates amortized cost. Equity investments quoted on an active market and those held in pooled funds are measured at fair value. Short term fixed income securities are measured at amortized cost.

(c) Revenue recognition

Restricted and all unrestricted contributions/earnings which include, fundraising, bequests, and investment income are recognized as revenue in the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

BRIGHTSHORES HEALTH SYSTEM OWEN SOUND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2024

1. Summary of significant accounting policies (continued)

(d) Contributed services

Volunteers contribute to the Brightshores Health System Owen Sound Foundation each year to assist the organization in carrying out its service delivery activities. Because of the difficulty of determining their fair market value, contributed services are not recognized in the financial statements.

(e) Planned giving and endowment expenses

It is the Foundation's practice to have the General Fund pay for endowment fund expenses with the exception of the investment management fees.

(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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known. Actual results could differ from those estimates.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash deposited in the Canadian bank accounts.

2. Investments

Investments are carried at either market or amortized cost as disclosed below.

Investments consist of the following:

	2024	2023
	\$	\$
Canadian Money Market Fund - at fair value (equal to cost)	1,380,834	1,284,661
Canadian Bond Fund - at fair value (cost \$7,046,790)	6,202,299	5,682,852
Canadian Large Cap Fund - at fair value (cost \$2,856,838)	2,981,160	2,879,654
Canadian Small Cap Fund - at fair value (cost \$667,477)	687,135	645,523
U.S. Equity Fund - at fair value (cost \$1,693,391)	3,374,868	3,175,167
International Equity Fund - at fair value (cost \$3,101,476)	3,361,291	3,125,462
Global Small Cap Fund - at fair value (cost \$1,503,702)	1,385,312	1,250,895
Emerging Markets Fund - at fair value (cost \$245,190)	216,463	190,026
Charitable Remainder Trust - at net present value	24,633	24,097
	19,613,995	18,258,337

BRIGHTSHORES HEALTH SYSTEM OWEN SOUND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2024

2. Investments (continued)

Investment income for the funds consists of:

	2024	2023
	\$	\$
General fund interest	33,708	24,146
Endowment fund interest, dividends and distributions	683,882	683,500
Endowment fund realized capital gains (losses)	194,748	(69,138)
	912,338	638,508

3. Payments to Brightshores Health System

The Foundation was incorporated on March 22, 1982 with the objective of raising funds for facility improvements, equipment, and staff education for the Brightshores Health System (formerly Grey Bruce Health Services) and is governed by an independent Board of Directors.

Brightshores Health System provides administrative services to the Foundation on a cost recovery basis pursuant to an agreement between the two organizations. The payable of \$38,090 (2023 \$33,571) to the Brightshores Health System at March 31, 2024 represents a reimbursement for the month of March 2024.

4. Endowment funds

The Endowment Funds consist of restricted contributions received by the Foundation where endowment principal is required to be maintained intact. The Endowment Fund also includes bequests transferred by the Board to the Endowment fund. The income from the funds is used to fund capital purchases related to the purpose of the fund and in the case of the Cardiac Trust and Staff Training Fund also to fund patient care staff training. Disbursements from the funds are made annually subject to market conditions and the needs of the Hospital.

The following designated funds (inclusive of unrealized/realized gains) are included in the Endowment Funds:

	2024	2023
	Fund Balance at Fair Value	Fund Balance at Fair Value
	\$	\$
Undesignated	18,249,339	16,977,752
Vision Care	227,315	214,718
Rehabilitation	9,987	9,433
Heart Care	52,669	49,750
Oncology	332,606	291,272
Diagnostic Imaging	46,132	43,575
Staff Training	406,093	378,470
Critical Care	151,686	143,281
Laboratory Equipment	138,919	131,221
	19,614,746	18,239,472

BRIGHTSHORES HEALTH SYSTEM OWEN SOUND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2024

5. Financial instruments

The Foundation's exposure to risks from its financial instruments is described as follows:

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk as the value of the long-term bonds are affected by market changes in interest rates.

(b) Currency risk

Currency risk is the risk to the Foundation's operations that arise from fluctuations of foreign currency exchange rates. The Foundation is exposed to currency risk through its investments in foreign equities.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other Price Risk: Other price risk is the risk that the fair value future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar instruments traded in the market.

The Foundation is exposed to market and other price risk through its investments. These investments are managed by Mawer Investment Management Ltd., in accordance with the investment policy approved by the Board of Directors (reviewed annually), and monitored on a quarterly basis, and is considered the method by which the Foundation manages the risks. The manager may only invest in those investments authorized for Trustees pursuant to the Trustees Act (Ontario) and in accordance with the investment policy. The investment policy states criteria which must be met (i.e. bond ratings), asset allocation guidelines and expected performance measures.