

Health Sciences North Foundation

Financial Statements

Year ended March 31, 2020

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Health Sciences North Foundation

Qualified Opinion

We have audited the financial statements of **Health Sciences North Foundation**, which comprise the statement of financial position as at **March 31, 2020**, and the statements of operations, changes in fund balances, 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 financial statements present fairly, in all material respects, the financial position of Health Sciences North Foundation as at March 31, 2020 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 donations and 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 revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended March 31, 2020 and 2019, and current assets and net assets as at March 31, 2020 and 2019. Our audit opinion pertaining to the Foundation's financial statements as at and for the year ended March 31, 2019, presented as comparative figures in the accompanying financial statements, included a qualified opinion for the same matter occurring in that year.

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.

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.

INDEPENDENT AUDITOR'S REPORT, continued

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.

Freelandt Caldwell Reilly LLP

FREELANDT CALDWELL REILLY LLP

Chartered Professional Accountants
Licensed Public Accountants

Sudbury, Ontario
June 17, 2020

Health Sciences North Foundation
Statement of Financial Position
March 31, 2020 with comparative figures for 2019

	Unrestricted	Internally Restricted	Externally Restricted	Endowment Fund	2020	2019
Assets						
Current						
Cash and cash equivalents	\$ 2,407,455	\$ -	\$ 25,350	\$ 9,223	\$ 2,442,028	\$ 2,058,338
Short-term investments (note 3 (a))	838,010	-	33,122	-	871,132	766,381
Accounts receivable	17,036	-	-	-	17,036	18,335
Prepaid expenses	19,034	-	-	-	19,034	8,692
	3,281,535	-	58,472	9,223	3,349,230	2,851,746
Interfund balances	(5,218,301)	2,000,000	3,216,322	1,979	-	-
Long-term investments (note 3(b))	6,061,704	-	263,035	59,566	6,384,305	7,283,564
Cash surrender value of life insurance	27,800	-	227,660	-	255,460	240,631
Capital assets (note 4)	-	2,338	-	-	2,338	4,373
	\$ 4,152,738	\$ 2,002,338	\$ 3,765,489	\$ 70,768	\$ 9,991,333	\$ 10,380,314
Liabilities and Fund Balances						
Current liabilities						
Accounts payable and accrued liabilities	\$ 34,605	\$ -	\$ -	\$ -	\$ 34,605	\$ 61,036
Due to Health Sciences North (note 5)	43,676	-	50,255	-	93,931	92,330
	78,281	-	50,255	-	128,536	153,366
Fund Balances						
Unrestricted fund	4,074,457	-	-	-	4,074,457	6,594,836
Internally restricted fund (note 6 (a))	-	2,002,338	-	-	2,002,338	4,373
Externally restricted fund (note 6 (b))	-	-	3,715,234	-	3,715,234	3,555,581
Endowment fund (note 7)	-	-	-	70,768	70,768	72,158
	4,074,457	2,002,338	3,715,234	70,768	9,862,797	10,226,948
	\$ 4,152,738	\$ 2,002,338	\$ 3,765,489	\$ 70,768	\$ 9,991,333	\$ 10,380,314

Approved on behalf of the Board of Directors:

Director _____ Director _____

Health Sciences North Foundation

Statement of Operations

Year ended March 31, 2020 with comparative figures for 2019

	Unrestricted	Internally Restricted	Externally Restricted	Endowment Fund	2020	2019
Revenues						
General contributions - other	\$ 110,100	\$ -	\$ 487,111	\$ -	\$ 597,211	\$ 5,602,217
General contributions - City of Greater Sudbury	699,134	-	-	-	699,134	699,134
Interest and dividends	318,396	-	12,704	2,541	333,641	383,827
Fund-raising programs - other	169,593	-	159,568	-	329,161	127,602
Fund-raising programs - Nevada	109,640	-	-	-	109,640	119,259
In memoriams	52,455	-	-	-	52,455	16,876
Other revenue	640	-	14,191	-	14,831	16,061
Realized gains (losses) on sale of investments	(29,200)	-	(6,759)	220	(35,739)	(147,916)
Unrealized losses on investments	(638,369)	-	(37,073)	(4,151)	(679,593)	(50,728)
	792,389	-	629,742	(1,390)	1,420,741	6,766,332
Expenses						
Salaries and benefits	343,669	-	-	-	343,669	353,010
Materials and services	162,841	-	12,733	-	175,574	161,715
Fund-raising programs - other	38,166	-	40,331	-	78,497	68,939
Fund-raising programs - Nevada	54,186	-	-	-	54,186	72,796
Purchased services	17,987	-	-	-	17,987	10,406
Amortization	-	2,035	-	-	2,035	2,036
	616,849	2,035	53,064	-	671,948	668,902
Excess (deficiency) of revenues over expenses before gifts	175,540	(2,035)	576,678	(1,390)	748,793	6,097,430
Gifts to Health Sciences North	(699,134)	-	(413,810)	-	(1,112,944)	(5,984,354)
Excess (deficiency) of revenues over expenses	\$ (523,594)	\$ (2,035)	\$ 162,868	\$ (1,390)	\$ (364,151)	\$ 113,076

Health Sciences North Foundation**Statement of Changes in Fund Balances****Year ended March 31, 2020 with comparative figures for 2019**

	Unrestricted	Internally Restricted	Externally Restricted	Endowment Fund	2020	2019
Fund balance, beginning of year	\$ 6,594,836	\$ 4,373	\$ 3,555,581	\$ 72,158	\$ 10,226,948	\$ 10,113,872
Interfund transfers:						
Transfers to internally restricted funds (note 13)	(2,000,000)	2,000,000	-	-	-	-
Administration fee - Voices for Women (note 8)	3,215	-	(3,215)	-	-	-
Excess (deficiency) of revenues over expenses	(523,594)	(2,035)	162,868	(1,390)	(364,151)	113,076
Fund balance, end of year	\$ 4,074,457	\$ 2,002,338	\$ 3,715,234	\$ 70,768	\$ 9,862,797	\$ 10,226,948

Health Sciences North Foundation**Statement of Cash Flows****Year ended March 31, 2020 with comparative figures for 2019**

	Total 2020	Total 2019
Cash flows from operating activities		
Cash provided by (used for)		
Excess of revenues over expenses	\$ (364,151)	\$ 113,076
Items not involving cash		
Amortization	2,035	2,036
Realized losses on sale of investments	35,739	147,916
Unrealized losses on investments	679,593	50,728
Accrued interest	-	(5,841)
Donations in-kind	(53,333)	-
Change in cash surrender value of life insurance	(14,831)	(16,062)
	285,052	291,853
Net change in operational working capital		
Accounts receivable	1,299	19,934
Prepaid expenses	(10,342)	10,431
Accounts payable and accrued liabilities	(26,431)	33,103
Due to Health Sciences North	1,601	(519,218)
Deferred revenue	-	(24,625)
	251,179	(188,522)
Cash flows from investing activities		
Sale of investments	2,244,719	6,003,391
Purchase of investments	(2,112,208)	(6,719,236)
	132,511	(715,845)
Net decrease in cash and cash equivalents	383,690	(904,367)
Cash and cash equivalents, beginning of year	2,058,338	2,962,705
Cash and cash equivalents, end of year	\$ 2,442,028	\$ 2,058,338

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2020

1. Status and Purpose of the Foundation

These financial statements reflect the financial position, operating results, changes in fund balances and cash flows of the Health Sciences North Foundation (the “Foundation”). The Foundation is a registered charity incorporated without share capital under the laws on the province of Ontario and is exempt from income tax under the Income Tax Act (Canada) (the “Act”). The Foundation is responsible for collecting, accumulating and distributing funds and income derived from those funds for the benefit of Health Sciences North and any other charitable organizations that provides health care services in the City of Greater Sudbury and its outlying areas.

2. Summary of significant accounting policies

a) Basis of presentation

The financial statements of the Foundation are prepared in accordance with Canadian accounting standards for not-for-profits organizations (ASNFPO) and include the significant accounting policies summarized below:

b) Fund balances

The Unrestricted Fund reflects the Foundation’s program delivery service and administrative activities as well as fundraising, investing and granting activities that are of an unrestricted nature and are available for immediate use.

The Internally Restricted Fund reports the assets, liabilities, revenues and expenses related to the operation and upkeep of the Foundation’s capital assets and internally restricted funds for the medical imaging campaign.

The Externally Restricted Fund reports the assets, liabilities, revenues and expenses of resources that have been requested to be used for specific purposes by donors.

The Endowment Fund reports resources where internal and external restrictions require that the principal must be permanently maintained.

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2020

2. Summary of significant accounting policies (continued)

c) Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Foundation subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations in the period they occur.

Financial assets measured at amortized cost include cash and cash equivalents, and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and amounts due to Health Sciences North.

Financial assets measured at fair value include short-term and long-term investments and cash surrender value of life insurance.

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in operations. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in operations, in the period it is identified and measurable, up to the amount of the previously recognized impairment.

d) Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue in the unrestricted fund. Donor restricted contributions are recognized as revenue in their respective restricted fund, unless the principal is to be maintained, in which case these contributions are recognized as revenue in the Endowment Fund. Revenues received in advance for which no restricted fund exists are recorded as deferred revenue in the Unrestricted Fund until the related expenses are incurred.

Investment income includes dividend and interest income, unrealized and realized gains or losses and investment management fees and investment related expenses. Unrealized gains or losses are recognized in the period in which they occur and are recognized in the statement of operations.

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2020

2. Summary of significant accounting policies (continued)

e) Contributed services

Volunteers contribute numerous hours to the Foundation throughout the year to aid in its delivery of services. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

f) Government assistance

Government and other grants relating to operations are accounted for as revenue when earned.

g) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments which are readily converted into cash.

h) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of the contribution. The Foundation provides for amortization using the straight-line method over their estimated useful lives of 5 years. Additions are amortized at one-half of the annual rate in the year of acquisition. No amortization is recorded in the year of disposal.

i) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that may affect the amounts of assets and liabilities reported at the date of the financial statements and the amounts of revenues and expenses throughout the year. Actual amounts could differ from those estimates.

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2020

3. Investments

a) Short-term investments

Short-term investments consist of the following balances:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Short-term investment fund	\$ 871,049	\$ 871,132	\$ 766,688	\$ 766,381

b) Long-term investments

Long-term investments consist of the following balances:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Corporate preferred shares	\$ 1,462,179	\$ 893,151	\$ 1,650,401	\$ 1,353,088
Corporate bonds and bond funds	2,749,283	2,741,510	2,870,383	2,887,770
Equity and equity funds	3,070,220	2,749,644	2,990,380	3,042,706
	\$ 7,281,682	\$ 6,384,305	\$ 7,511,164	\$ 7,283,564

Accumulated unrealized losses on all investments at year-end amounted to \$897,377 (2019 - \$227,600).

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2020

4. Capital Assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Office and computer equipment	\$ 56,069	\$ 53,731	\$ 2,338	\$ 4,373
Signs	9,941	9,941	-	-
	\$ 66,010	\$ 63,672	\$ 2,338	\$ 4,373

Cost and accumulated amortization for March 31, 2019 were \$66,010 and \$61,637 respectively.

5. Due to Health Sciences North

Health Sciences North is a public hospital and is independent of the Health Sciences North Foundation. The Foundation raises funds on behalf of Health Sciences North to support the purchase of equipment, fund operations and support research activities.

Health Sciences North provides a number of services to the Foundation including the provision of accounting services for which the Foundation paid \$12,998 in 2020 (2019 - \$10,406).

Health Sciences North provides office space and related occupancy costs to the Foundation at no charge.

At March 31, 2020 the Foundation owes Health Sciences North \$93,931 (2019 - \$92,330). These amounts do not bear interest, are due on demand, with no scheduled repayments.

During the course of the year, the Foundation gifted \$1,112,944 (2019 - \$5,984,354) to Health Sciences North.

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2020

6. Internally and Externally Restricted Net Assets

a) Internally Restricted Net Assets

	2020	2019
Medical imaging	\$ 2,000,000	\$ -
Capital Assets	2,338	4,373
	<u>\$ 2,002,338</u>	<u>\$ 4,373</u>

b) Externally Restricted Net Assets

	2020	2019
Medical imaging	\$ 1,536,517	\$ 755,932
Medical and academic affairs	1,192,208	1,678,375
Mental health and addictions program	257,994	252,079
VOICES for Women (note 8)	223,604	380,920
NEO Kids & Family programming	182,482	240,303
Community care and rehab program	149,786	86,162
Heart and Soul	51,540	51,540
Operation Health – Emerging Priorities program	36,098	32,898
Medicine program	29,078	33,377
Nicholas Dellelce Bursary	23,740	23,740
Rick Griffin Transplant Assistance fund	13,144	13,144
Critical and Emergency Care	9,137	-
Laboratory & Pathology program	3,051	3,051
Pharmacy	3,000	3,000
Chronic Heart Failure	2,795	-
Peter Crossgrove Fund	450	450
Ethics/Spiritual & Religious Care program	410	410
People Relations & Safety	200	200
	<u>\$ 3,715,234</u>	<u>\$ 3,555,581</u>

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2020

7. Joe Drago Endowment Fund

The Foundation created the Joe Drago Endowment Fund in order to honour its founding chairman and life member, Joe Drago. Mr. Drago's personal commitment to healthcare in Northeastern Ontario spans over 30 years. In his honour, the Joe Drago Endowment Fund will be designated for the purchase of cardiac (heart) equipment for Health Sciences North.

Contributions received by the Foundation from donors are added to the principal of the endowment and preserved. Net investment returns will be used for the intended purpose of the fund.

8. VOICES for Women

The Foundation manages a fund which has been restricted for the use of the Family and Child Program: VOICES for Women: Sudbury Sexual Assault Centre. The funds are invested separately from the general portfolio of the Foundation. The Foundation may charge an administration fee of 1% of the account balances on an annual basis. During the year, the Foundation charged the program a fee of \$3,215 (2019 – \$4,651).

9. Healthcare of Ontario Pension Plan

Substantially all of the employees of the Foundation are members of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death that provide 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 amounts 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.

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 indicates the Plan is fully funded.

Contributions to the Plan made during the year by the Foundation on behalf of its employees amounted to \$25,934 (2019 – \$25,201) and are included in the statement of operations.

At December 31, 2019, the HOOPP pension plan had total assets of \$180.8 billion (2019 – \$172.9 billion) and an accumulated surplus of \$20.6 billion (2019 - \$13.9 billion).

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2020

10. Financial Instruments

Transactions in financial instruments may result in an entity assuming or transferring financial risks to or from another party. The Foundation is exposed to the following financial risks associated with financial instruments and transactions it is a party to:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. The Foundation is exposed to this risk relating to its cash and cash equivalents, accounts receivable, short-term and long-term investments, and cash surrender value of life insurance.

The Foundation holds its cash and cash equivalents, short-term and long-term investments with large reputable financial institutions with high credit ratings in order to minimize risk.

The Foundation is exposed to credit risk in accounts receivable which is mainly comprised of receivables from governments and government funded organizations. The Foundation minimizes this risk through management's ongoing analysis and monitoring of amounts due to the Foundation, and measures its exposure based on how long amounts have been outstanding.

The Foundation is also exposed to credit risk through its investments. The Foundation has developed policies which limit exposure from any one asset, invest through a national institution and regularly monitor investment performance.

There have been no significant changes from the previous year in the exposure to this risk.

b) Liquidity risk

Liquidity risk is the risk that an organization cannot repay its obligations when they become due to its creditors. The Foundation is exposed to this risk relating to its accounts payable and accrued liabilities and amounts due to Health Sciences North. The Foundation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains an adequate amount of working capital to repay creditors as and when required. There have been no significant changes from the previous year in the exposure to this risk.

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2020

10. Financial Instruments (continued)

c) Interest rate risk

Interest rate risk arises from the possibility that changes in market interest rates will affect the market value or future cash flows of financial instruments. The Foundation is exposed to interest rate risk through its interest-bearing investments. The Foundation manages interest rate risks in its bond portfolio by investing in pooled bond funds which seek to diversify the maturity and concentration of fixed income investments within the fund.

The Foundation also holds a number of preferred share investments with contractual dividend rate reset dates that are dependent upon fluctuations in market interest rates. In the event that market interest rates decline relative to the rate in effect at the date of issuance of the preferred shares, it could have a negative impact on the market value of these investments which could have a material impact on the overall return of the investment portfolio of the Foundation. Market interest rates have contributed to an unrealized loss on the preferred share portfolio amounting to \$540,038 (2019 - \$297,313) in aggregate at year-end. The Foundation is monitoring these holdings and taking appropriate action when deemed necessary.

d) Market risk

Market risk is the risk that the fair value of an investment or future cash flows will be impacted by changes in market factors. These factors can be caused by changes in an underlying investment or factors affecting the market as a whole. These factors can include interest rate risk, currency risk, financial risk and other price risks. Market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the financial markets. The Foundation is exposed to market risk associated with certain of its investments. The fair values of these financial assets fluctuate over time due to a variety of financial market factors. During the year the Foundation realized losses on investment sales of \$35,739 (2019 – \$147,916 and unrealized losses on its investments of \$679,593 (2019 - \$50,728). The unrealized losses are largely attributable to market volatility that was introduced because of COVID-19 as described in note 11.

During the year, the Foundation continued to manage and control its exposure to market risk within it's set policy parameters while maximizing the portfolio returns.

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2020

10. Financial Instruments (continued)

e) Concentration risk

Concentration risk is a risk that arises as a result of a concentration of exposure within the same category, whether it is determined on a geographical basis, an industry or sector, or a type of investment. The Foundation is exposed to concentration risk through its investments.

The Foundation is exposed to concentration risk based on the types of assets it is invested in. Each type of asset faces different types and levels of risk. The concentration of portfolio investments is as follows:

	2020	2019
	%	%
Preferred shares	12.30	16.60
Fixed income bond securities & bond funds	37.79	35.44
Equities and equity funds– Canadian	17.67	17.42
Equities – United States	15.44	13.33
Cash and cash equivalents	12.01	10.62
Equities – International	4.79	6.59
	<u>100.00</u>	<u>100.00</u>

The Foundation maintains a risk tolerance policy for investments which determines the objectives and policies the Foundation follows while investing funds. This policy defines the type and concentration of assets the Foundation can invest in as well as sets benchmarks for performance management.

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2020

11. COVID-19 Pandemic

The COVID-19 global outbreak was declared a pandemic by the World Health Organization in March 2020. The negative impact of COVID-19 in Canada and on the global economy has been significant. The global pandemic has disrupted economic activities and supply chains resulting in governments worldwide, and in Canada, enacting emergency measures to combat the spread of the virus and protect the economy.

These financial statements have been prepared based upon conditions existing at March 31, 2020 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at that date.

Although the disruption from the pandemic is expected to be temporary, given the dynamic nature of these circumstances, the duration and severity of the disruption and related financial impact cannot be reasonably estimated at this time. The implementation of government interventions resulted in significant volatility and declines in equity and bond prices in global markets. Management is continuing to monitor the impact of this volatility on both the current asset holdings and the impact on future possible earnings. While the investment holdings had accumulated unrealized losses of \$897,377 at March 31, 2020, the fair market value of the portfolio at June 17, 2020 is \$8,248,742, reducing accumulated unrealized losses to \$393,212.

The impacts of this pandemic could include the impairment in the value of assets or potential future decreases in revenues. At this time, the full potential impact of COVID-19 on the Foundation is not known.

12. Comparative Figures

Certain 2019 comparative figures have been reclassified, where applicable, to conform to the financial statement presentation used in the current year. The changes do not affect prior year excess (deficiency) of revenues over expenses or net assets.

13. Commitment

The Board of Directors has committed to Health Sciences North to raise the funds necessary for the purchase of two new MRI units.

During the year, the board committed \$2,000,000 from the unrestricted fund to the medical imaging campaign to support this commitment.