

Health Sciences North Foundation

Financial Statements

Year ended March 31, 2022

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of the
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, 2022**, and the statements of operations and 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.

Except as noted in the following paragraph, in our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2022 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, 2022 and 2021, and current assets and net assets as at March 31, 2022 and 2021. Our independent auditor's report pertaining to the Foundation's financial statements as at and for the year ended March 31, 2021, 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.

INDEPENDENT AUDITOR'S REPORT, continued

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.

INDEPENDENT AUDITOR'S REPORT, continued

- ◆ 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.

Freelandt Caldwell Reilly LLP

FREELANDT CALDWELL REILLY LLP

Chartered Professional Accountants
Licensed Public Accountants

Sudbury, Ontario
June 23, 2022

Health Sciences North Foundation
Statement of Financial Position
March 31, 2022 with comparative figures for 2021

	Unrestricted	Internally Restricted	Externally Restricted	Endowment Fund	2022	2021
Assets						
Current						
Cash and cash equivalents	\$ 5,470,234	\$ -	\$ 157,402	\$ 8,472	\$ 5,636,108	\$ 3,635,901
Short-term investments (note 3)	649,972	-	35,694	-	685,666	909,293
Accounts receivable (note 4)	272,533	-	45,981	-	318,514	151,079
Prepaid expenses	39,180	-	35,859	-	75,039	31,008
	6,431,919	-	274,936	8,472	6,715,327	4,727,281
Long-term investments (note 5)	6,587,759	-	353,490	74,159	7,015,408	8,382,124
Cash surrender value of life insurance	28,726	-	247,252	-	275,978	267,235
Interfund balances	(6,785,102)	1,456,102	5,326,937	2,063	-	-
	\$ 6,263,302	\$ 1,456,102	\$ 6,202,615	\$ 84,694	\$ 14,006,713	\$ 13,376,640
Liabilities and Fund Balances						
Current liabilities						
Accounts payable and accrued liabilities (note 6)	\$ 61,721	\$ -	\$ 1,482,189	\$ -	\$ 1,543,910	\$ 2,230,586
Due to Health Sciences North (note 7)	24,803	-	5,000	-	29,803	234,578
	86,524	-	1,487,189	-	1,573,713	2,465,164
Fund Balances						
Unrestricted fund	6,176,778	-	-	-	6,176,778	5,727,766
Internally restricted fund (note 8 (a))	-	1,456,102	-	-	1,456,102	1,997,397
Externally restricted fund (note 8 (b))	-	-	4,715,426	-	4,715,426	3,105,015
Endowment fund (note 9)	-	-	-	84,694	84,694	81,298
	6,176,778	1,456,102	4,715,426	84,694	12,433,000	10,911,476
	\$ 6,263,302	\$ 1,456,102	\$ 6,202,615	\$ 84,694	\$ 14,006,713	\$ 13,376,640

Commitments (note 13)

Credit facilities (note 14)

Approved on behalf of the Board of Directors:

Director _____ Director _____

Health Sciences North Foundation
Statement of Operations
Year ended March 31, 2022 with comparative figures for 2021

	Unrestricted	Internally Restricted	Externally Restricted	Endowment Fund	2022	2021
Revenues						
Donations and fundraising	\$ 349,344	\$ -	\$ 2,706,193	\$ -	\$ 3,055,537	\$ 2,079,285
Increase in cash surrender value of life insurance policies	285	-	8,458	-	8,743	11,775
Payroll-related grant and subsidies	-	-	-	-	-	63,058
	349,629	-	2,714,651	-	3,064,280	2,154,118
Gross lottery revenue	-	-	15,385,274	-	15,385,274	5,113,155
Direct lottery expenses, including prizes	-	-	(9,701,261)	-	(9,701,261)	(3,204,261)
Contributions to NEO Kids Foundation, Northern Cancer Foundation and Health Sciences North Volunteer Association	-	-	(4,263,010)	-	(4,263,010)	(1,436,658)
	-	-	1,421,003	-	1,421,003	472,236
	349,629	-	4,135,654	-	4,485,283	2,626,354
Expenses						
Wages and benefits	216,749	-	-	-	216,749	254,916
Fundraising	31,436	-	54,472	-	85,908	208,185
Technology	58,250	-	-	-	58,250	30,279
Donor recognition	-	-	19,448	-	19,448	310
Professional fees	18,638	-	-	-	18,638	19,952
Office and general	13,467	-	-	-	13,467	7,953
Bank charges and transactions fees	5,863	-	1,043	-	6,906	11,089
	344,403	-	74,963	-	419,366	532,684
Excess of revenue over expenses before undernoted items	5,226	-	4,060,691	-	4,065,917	2,093,670
Municipal grants and contributions	-	-	699,134	-	699,134	699,134
Realized gain (loss) on investments	273,429	-	1,488	949	275,866	93,502
Transfers from Health Sciences North (note 7)	-	-	268,155	-	268,155	-
Interest and dividends	252,614	-	13,283	1,778	267,675	318,121
Amortization	-	-	-	-	-	(2,338)
Unrealized gain (loss) on investments	(33,504)	-	610	1,164	(31,730)	1,354,593
Investment fees	(48,481)	-	(2,203)	(495)	(51,179)	(47,915)
Excess of revenue over expenses before charitable distributions	449,284	-	5,041,158	3,396	5,493,838	4,508,767
Gifts to Health Sciences North (note 7)	-	-	(3,895,301)	-	(3,895,301)	(3,407,566)
Gifts to NEO Kids Foundation and Northern Cancer Foundation	-	-	(56,799)	-	(56,799)	-
Charitable programs	(272)	-	(19,942)	-	(20,214)	(52,522)
Excess of revenues over expenses	449,012	-	1,069,116	3,396	1,521,524	1,048,679
Fund balances, beginning of year	5,727,766	1,997,397	3,105,015	81,298	10,911,476	9,862,797
Inter-fund transfers (note 8 (a))	-	(541,295)	541,295	-	-	-
Fund balances, end of year	\$ 6,176,778	\$ 1,456,102	\$ 4,715,426	\$ 84,694	\$ 12,433,000	\$ 10,911,476

See accompanying notes to the financial statements

Health Sciences North Foundation**Statement of Cash Flows****Year ended March 31, 2022 with comparative figures for 2021**

	Total		Total
	2022		2021
Cash flows from operating activities			
Cash provided by (used for)			
Excess of revenues over expenses	\$ 1,521,524	\$	1,048,679
Items not involving cash			
Amortization	-		2,338
Realized gain on sale of investments	(275,866)		(93,502)
Unrealized loss (gains) on investments	31,730		(1,354,593)
Donations in-kind	(1,973)		(9,962)
Change in cash surrender value of life insurance	(8,743)		(11,775)
Net change in operational working capital			
Increase in accounts receivable	(167,435)		(134,047)
Increase in prepaid expenses	(44,031)		(11,974)
Increase (decrease) in accounts payable and accrued liabilities	(686,676)		2,195,984
Increase (decrease) in due to Health Sciences North	(204,775)		140,648
	163,755		1,771,796
Cash flows from investing activities			
Purchase of investments	(3,382,300)		(5,711,971)
Proceeds on the sale of investments	5,218,752		5,134,048
	1,836,452		(577,923)
Net increase in cash and cash equivalents	2,000,207		1,193,873
Cash and cash equivalents, beginning of year	3,635,901		2,442,028
Cash and cash equivalents, end of year	\$ 5,636,108	\$	3,635,901

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2022

1. Status and Purpose of the Foundation

The Health Sciences North Foundation (the "Foundation") was established to collect, accumulate and distribute funds for the benefit of Health Sciences North and any other charitable organizations that provide health care services in the City of Greater Sudbury and its outlying areas. The Foundation is a registered charity incorporated without share capital under the laws of the province of Ontario and is exempt from income tax under the Income Tax Act (Canada).

2. Significant accounting policies

These financial statements are prepared in accordance with Part III of the CPA Canada Handbook - Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

a) Basis of presentation

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors (the "Board"). To meet these objectives of financial reporting and stewardship over assets, certain inter-fund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. Transfers between the funds are made when it is considered appropriate and when appropriately authorized. These inter-fund transfers are recorded in the statement of operations and changes in fund balances.

For financial reporting purposes, the accounts have been classified into the following funds:

The Unrestricted Fund, which accounts for the Foundation's general fundraising, granting and administrative activities. The Unrestricted Fund reports unrestricted resources available for immediate purposes.

The Restricted Fund, which includes those funds where resources are to be used for an identified purpose as specified by the donor, as stipulated by the fundraising appeal or as determined by the Board.

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

The Endowment Fund, which includes those funds where either donor or internal restrictions require that the principal be invested by the Foundation permanently.

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2022

2. Summary of significant accounting policies (continued)

b) 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. Restricted contributions are recognized as revenue in their respective restricted fund, unless the principal is to be maintained, in which case the contribution is recognized as revenue in the Endowment Fund. Fundraising and event-related revenues are recognized when the underlying event occurs. Government payroll assistance and subsidies are recognized as revenue in the Unrestricted Fund. In-kind contributions of assets are recognized at their fair market value, while contributions of services are not recognized.

Investment income includes dividend and interest income, unrealized and realized gains or losses and investment management fees and related expenses. Investment income earned on the Unrestricted, Restricted and Endowment Funds are recognized as revenue within their respective funds. Investment losses are recorded in a manner consistent with investment income.

c) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless an election is made to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if any indicators of impairment exist. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected amount or timing of future cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2022

2. Summary of significant accounting policies (continued)

d) Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. The Foundation provides for amortization using the straight-line method for its office equipment, computer equipment and signs over their estimated useful lives of five years.

e) Cash and cash equivalents

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

f) Accounting estimates

The preparation of financial statements in conformity with Part III of the CPA Canada Handbook - Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent 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 those estimates.

3. Short-term investments

Short-term investments consist of the following balances:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Short-term investment fund	\$ 686,578	\$ 685,666	\$ 913,587	\$ 909,293

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2022

4. Accounts receivable

Accounts receivable consist of the following balances:

	2022		2021	
HST rebate receivable	\$	213,405	\$	64,176
Other receivables		49,715		3,735
The Northern Cancer Foundation		29,451		41,584
NEO Kids Foundation		25,943		41,584
	\$	318,514	\$	151,079

Accounts receivable are presented at their estimated recoverable amounts net of allowances of \$Nil (2021 - \$Nil) for uncollectible accounts.

5. Long-term investments

Long-term investments consist of the following balances:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Corporate bonds and bond funds	\$ 3,610,754	\$ 3,353,324	\$ 3,532,317	\$ 3,479,992
Corporate preferred shares	733,291	688,540	962,459	915,067
Equity and equity funds	2,244,963	2,973,544	3,425,876	3,987,065
	\$ 6,589,008	\$ 7,015,408	\$7,920,652	\$8,382,124

6. Contributions to Entities with Common Elements

The Foundation shares common elements of management with the following entities:

- NEO Kids Foundation
- The Northern Cancer Foundation
- Health Sciences North Volunteer Association

Each entity is independent of the other, with their own governance structure consisting of a Board of Directors. Management reports directly to each of the Board's with respect to the entity's activities.

During the year, the Foundation made contributions to each of NEO Kids Foundation, The Northern Cancer Foundation, and the Health Sciences North Volunteer Association in the amount of \$1,421,003 (2021 - \$478,885) from funds raised through the HSN 50/50 Cash Lottery for the North.

Included in accounts payable are \$147,293 per organization (2021 - \$362,897, \$479,056 and \$478,886) respectively related to these contributions.

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2022

7. Transactions with Health Sciences North

Health Sciences North is a public hospital and is independent of the Foundation. The Foundation raises funds of 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. This included the provision of accounting services for which the Foundation paid \$9,117 in 2021.

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

The Foundation reimbursed Health Sciences North for salaries and benefits of \$36,730 (2021 - \$14,700) associated with Health Sciences North staff working at the Foundation.

At March 31, 2022 the Foundation owes Health Sciences North \$29,803 (2021 - \$234,578). These amounts do not bear interest and are due on demand with no scheduled repayments.

The transfers from Health Sciences North are comprised entirely of proceeds from disposal of an asset previously funded by the Foundation.

During the course of the year, the Foundation gifted \$3,895,301 (2021 - \$3,407,566) to Health Sciences North.

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2022

8. Internally and Externally Restricted Net Assets

a) Internally Restricted Net Assets

	2022	2021
Medical imaging	\$ 1,456,102	\$ 1,997,397

During the year, \$541,295 (2021 - \$2,063) was transferred from the internally restricted – Medical imaging fund to the externally restricted Medical imaging fund and ultimately gifted to Health Sciences North.

b) Externally Restricted Net Assets

	2021		2022	
	Opening	Revenue	Expenses and	
	Balance		transfers	
	Balance		Ending	
	Balance		Balance	
Capital campaign	\$ -	\$ -	\$ 1,631,598	\$ 1,631,598
Medical and academic affairs	1,558,099	15,677,695	(15,613,228)	1,622,566
VOICES for Women	294,944	282,192	(2,209)	574,927
Critical and emergency care	441,867	18,392	(17,791)	442,468
Community care and rehab program	155,702	2,290	(39)	157,953
NEO Kids and family programming	181,612	-	(79,060)	102,552
Medicine program	56,230	26,536	(203)	82,563
Operation health - emerging priorities program	37,387	500	(11)	37,876
Nicholas Dellelce bursary	23,740	-	-	23,740
Chronic heart failure	12,907	1,200	(1)	14,106
Rick Griffin Transplant Assistance	13,144	-	-	13,144
Mental health and addictions program	271,645	32,032	(297,942)	5,735
Laboratory and pathology program	3,051	-	-	3,051
Pharmacy	2,087	-	-	2,087
Peter Crossgrove Fund	450	-	-	450
Ethics, spiritual and religious care	410	-	-	410
People relations and safety	200	-	-	200
Heart and soul	51,540	702,771	(754,311)	-
Medical imaging	-	2,338,989	(2,338,989)	-
	\$ 3,105,015	\$ 19,082,597	\$ (17,472,186)	\$ 4,715,426

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2022

8. Internally and Externally Restricted Net Assets (Continued)

b) Externally Restricted Net Assets

	2020		Expenses and	2021
	Opening	Revenue	transfers	Ending
	Balance			Balance
Medical and academic affairs	\$ 1,192,208	\$ 2,041,727	\$ (1,675,836)	\$ 1,558,099
Critical and emergency care	9,137	1,344,875	(912,145)	441,867
VOICES for Women	223,604	32,650	38,690	294,944
Mental health and addictions program	257,994	13,702	(51)	271,645
NEO Kids and family programming	182,482	130	(1,000)	181,612
Community care and rehab program	149,786	5,936	(20)	155,702
Medicine program	29,078	27,381	(229)	56,230
Heart and soul	51,540	699,134	(699,134)	51,540
Operation health - emerging priorities program	36,098	1,300	(11)	37,387
Nicholas Dellelce bursary	23,740	-	-	23,740
Rick Griffin Transplant Assistance fund	13,144	-	-	13,144
Chronic heart failure	2,795	10,112	-	12,907
Laboratory and pathology program	3,051	-	-	3,051
Pharmacy	3,000	-	(913)	2,087
Peter Crossgrove Fund	450	-	-	450
Ethics, spiritual and religious care program	410	-	-	410
People relations and safety	200	-	-	200
Medical imaging	1,536,517	158,574	(1,695,091)	-
	\$ 3,715,234	\$ 4,335,521	\$ (4,945,740)	\$ 3,105,015

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2022

9. 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 North-eastern Ontario spans over 30 years. In his honour, the Joe Drago Endowment Fund will be designated for the purchase of cardiac 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.

10. 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.

11. 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 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 \$13,817 (2021 - \$15,013) and are included in the statement of operations.

At December 31, 2021, the HOOPP pension plan had total assets of \$217 billion (2021 - \$192 billion) and an accumulated surplus of \$29 billion (2021 - \$24 billion).

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2022

12. Financial instruments

The Foundation is exposed to various financial risks through transactions in financial instruments.

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, cash surrender value of life insurance and investments.

The Foundation holds its cash and cash equivalents and investments with a large reputable financial institution in order to minimize risk.

The Foundation is exposed to credit risk in accounts receivable which is mainly comprised of receivables from governments as well as other charitable 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 have 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, 2022

12. Financial instruments (continued)

c) 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. The Foundation is exposed to market risk associated with certain of its investments. The fair market value of these investments fluctuate over time due to a variety of financial market factors. During the year, the Foundation continued to manage and control its exposure to market risk within its set policy parameters while maximizing investment returns. During the year the Foundation realized gains on investment sales of \$275,866 (2021 – \$93,502) and unrealized losses on its investments of \$31,730 (2021 – gains of \$1,354,593).

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

d) 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. Market interest rates have contributed to an unrealized loss on the preferred share portfolio amounting to \$44,752 (2021 - \$47,392) in aggregate at year-end.

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.

Health Sciences North Foundation
Notes to Financial Statements
Year ended March 31, 2022

12. 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:

	2022	2021
Preferred shares	9%	10%
Fixed income bond securities & bond funds	44%	38%
Equities – Canadian	21%	20%
Equities – United States	10%	10%
Short-term investments	9%	10%
Equities – International	7%	12%
	100%	100%

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.

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12. Financial Instruments (continued)

f) Other risk including Covid-19 pandemic

The Foundation's main sources of revenue are donations, fundraising and investment income. In March 2020, the Covid-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The Foundation halted in-person activity and closed its office space to staff and the public for a period of time and began delivering fundraising events in a virtual environment based on recommendations from Public Health Ontario. The office space was re-opened in the summer of 2020, with social distancing requirements and Public Health regulations followed.

In response to the adverse impact the pandemic has had on certain revenue streams, the Foundation has undertaken certain cost cutting measures. The Federal government has provided financial relief in the form of the Canada Emergency Wage Subsidy in the amount of \$Nil (2021 - \$40,277) and the Temporary Wage Subsidy in the amount of \$Nil (2021 - \$3,735). This subsidy is considered to be a grant and will not be repaid as long as the Foundation meets certain terms and conditions specified by the government of Canada. These subsidies are subject to audit by the government with adjustments, if any, repayable to the government. Audit adjustments are recognized in the accounts in the year in which they become known. The Board believes that it is currently in compliance with all terms and conditions of the Canada Emergency Wage Subsidy and the Temporary Wage Subsidy program.

The impact of Covid-19 is expected to negatively impact operations for a duration that cannot be reasonably estimated. The further overall operational and financial impact is highly dependent on the duration of Covid-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Foundation is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

13. Commitments

The Foundation has committed to funding the balance of outstanding costs associated with the purchase and installation of a new MRI unit and the refurbishment of an existing MRI unit at Health Sciences North. The project is anticipated to be completed prior to March 2023. The Foundation has \$1,456,102 (2021 - \$1,997,397) of internally restricted funds to satisfy this commitment. The balance of available funds exceeds the anticipated future costs to be incurred.

During the year, the board has made a commitment of \$35,000, from the Medical and academic affairs restricted fund, to Health Sciences North to support the purchase of a specific equipment. The board also committed to Health Sciences North Research Institute amounts of \$450,000, \$600,000 and \$600,000 for fiscal years ending 2023, 2024 and 2025 respectively. These funds are in support of various research to be performed for the above noted years.

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14. Credit facilities

The Foundation has provided a Letter of Credit in favour of the Alcohol and Gaming Commission of Ontario, to a maximum of \$150,000. At March 31, 2022, the Foundation had no amounts owing to the Alcohol and Gaming Commission of Ontario that were drawn under the letter of credit.

15. Comparative Figures

Certain 2021 comparative figures have been reclassified from statements previously presented to conform to the presentation of the 2022 financial statements. The changes do not affect the prior year's reported excess of revenues over expenses.