



**South Okanagan Similkameen
Medical Foundation
Financial Statements
For the Year Ended March 31, 2022**

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South Okanagan Similkameen Medical Foundation
Financial Statements
For the Year Ended March 31, 2022

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Independent Auditor's Report

To the Board of Directors of South Okanagan Similkameen Medical Foundation

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of South Okanagan Similkameen Medical Foundation ("the Foundation"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters 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, 2022, 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 donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, the 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 donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2021 and 2022, current assets as at March 31, 2021 and 2022, and net assets as at April 1 and March 31 for both the 2021 and 2022 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibility* 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.



Other Matters - Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the supplementary schedule (Schedule 1) of the Foundation's financial statements.

Management's Responsibility 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.

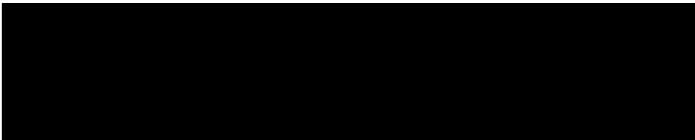
Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibility

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.

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- 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.



Chartered Professional Accountants

Penticton, British Columbia



**South Okanagan Similkameen Medical Foundation
Statement of Financial Position**

March 31	General Fund	Restricted Fund	Endowment Fund	2022 Total	2021 Total
Assets					
Current					
Cash	\$ 301,273	\$ 1,829,093	\$ 58,229	\$ 2,188,595	\$ 848,418
Investments - Note 2	-	7,193,439	-	7,193,439	7,235,453
Accounts receivable	7,519	-	-	7,519	253,496
Inventory	6,739	-	-	6,739	6,883
Prepaid expenses	13,537	-	-	13,537	4,432
	<u>329,068</u>	<u>9,022,532</u>	<u>58,229</u>	<u>9,409,829</u>	<u>8,348,682</u>
Investment in partnership - Note 2	65,931	-	-	65,931	72,765
Endowment Investments - Note 2	-	-	2,791,461	2,791,461	2,717,248
Land held - Note 3	-	1,520,000	-	1,520,000	1,520,000
	<u>\$ 394,999</u>	<u>\$ 10,542,532</u>	<u>\$ 2,849,690</u>	<u>\$ 13,787,221</u>	<u>\$ 12,658,695</u>
Liabilities and Fund Balances					
Current					
Accounts payable	\$ 65,927	\$ 462,093	\$ -	\$ 528,020	\$ 471,587
Wages payable	27,325	-	-	27,325	14,160
Payroll deductions payable	12,957	-	-	12,957	7,437
	<u>106,209</u>	<u>462,093</u>	<u>-</u>	<u>568,302</u>	<u>493,184</u>
Fund Balances					
Externally restricted	-	10,080,439	2,849,690	12,930,129	11,602,454
Unrestricted	288,790	-	-	288,790	563,057
	<u>288,790</u>	<u>10,080,439</u>	<u>2,849,690</u>	<u>13,218,919</u>	<u>12,165,511</u>
	<u>\$ 394,999</u>	<u>\$ 10,542,532</u>	<u>\$ 2,849,690</u>	<u>\$ 13,787,221</u>	<u>\$ 12,658,695</u>

The accompanying notes are an integral part of these financial statements.

**South Okanagan Similkameen Medical Foundation
Statement of Changes in Fund Balances**

For the year ended March 31	2022			2021	
	General Fund	Restricted Fund	Endowment Fund	Total	Total
Balance, beginning of the year	\$ 563,057	\$ 8,885,206	\$ 2,717,248	\$ 12,165,511	\$ 11,071,037
Excess (deficiency) of revenues over expenses	(141,825)	1,195,233	-	1,053,408	1,094,474
Interfund transfers	(132,442)	-	132,442	-	-
Balance, end of the year	\$ 288,790	\$ 10,080,439	\$ 2,849,690	\$ 13,218,919	\$ 12,165,511

On behalf of the Board:

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[Redacted] Director

DocuSigned by:
[Redacted] Director

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South Okanagan Similkameen Medical Foundation Statement of Operations

For the year ended March 31	2022		2021	
	General Fund	Restricted Fund	Total	Total
Revenue				
Donations	\$ -	\$ 3,429,903	\$ 3,429,903	\$ 3,454,605
Investment income	166,202	-	166,202	807,874
Cafe revenue	370,058	-	370,058	231,572
Rental income	46,200	-	46,200	44,468
Other income	38,737	-	38,737	138,553
Equity in the Income of The Care Closet	60,216	-	60,216	57,551
	<u>681,413</u>	<u>3,429,903</u>	<u>4,111,316</u>	<u>4,734,623</u>
Operating Expenses				
Advertising	15,728	-	15,728	1,146
Cafe cost of sales	141,919	-	141,919	95,372
Campaign costs	-	55,555	55,555	69,049
Insurance	4,309	-	4,309	4,496
Interest and bank charges	96	-	96	418
Licences, dues and fees	2,113	-	2,113	2,175
Maintenance and repairs	-	-	-	2,830
Meetings and events	3,911	-	3,911	426
Merchant fees	-	11,520	11,520	12,782
Office and postage	61,352	-	61,352	39,428
Professional fees	29,731	-	29,731	63,271
Training and education	13,548	-	13,548	3,929
Utilities	-	8,531	8,531	1,890
Vehicle	-	-	-	3,672
Wages and benefits	550,531	-	550,531	476,706
	<u>823,238</u>	<u>75,606</u>	<u>898,844</u>	<u>777,590</u>
Excess (deficiency) of revenues over expenses before funding	\$ (141,825)	\$ 3,354,297	\$ 3,212,472	\$ 3,957,033
Funding to Health Care Facilities and Grants	-	2,159,064	2,159,064	2,862,559
Excess (deficiency) of revenues over expenses	\$ (141,825)	\$ 1,195,233	\$ 1,053,408	\$ 1,094,474

The accompanying notes are an integral part of these financial statements.

**South Okanagan Similkameen Medical Foundation
Statement of Cash Flows**

For the year ended March 31	2022	2021
Cash flows from operating activities		
Cash receipts from donations	\$ 3,537,814	\$ 3,346,694
Cash receipts from other revenues	449,530	418,056
Cash grants paid	(1,756,232)	(2,677,009)
Cash paid to suppliers and employees	(1,091,987)	(775,617)
Interest received	21,815	128,236
	<u>1,160,940</u>	<u>440,360</u>
Cash flows from investing activities		
Distributions from the Care Closet	67,050	40,800
Net proceeds from investments	112,187	(51,220)
	<u>179,237</u>	<u>(10,420)</u>
Net increase in cash	1,340,177	429,940
Cash, beginning of the year	848,418	418,478
Cash, end of the year	\$ 2,188,595	\$ 848,418

The accompanying notes are an integral part of these financial statements.

South Okanagan Similkameen Medical Foundation Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies

Nature and Purpose of Organization

The South Okanagan Similkameen Medical Foundation (the "Foundation") was established in 1981 as the official fundraising body for the hospitals and health services facilities of the South Okanagan and Similkameen area. The Foundation's Articles of Incorporation, Constitution, and By-Laws restrict its purview to the South Okanagan Similkameen health care institutions, facilities and agencies, and other locations and facilities provided that it can be shown that they benefit residents of the South Okanagan Similkameen.

The Foundation is incorporated under the Province of British Columbia's Society Act as a non-profit organization, is a registered charitable organization under the Income Tax Act and is, therefore, exempt from income tax.

Basis of Accounting

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

Fund Accounting

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

The General Fund accounts for the Foundation's administrative activities. This fund reports unrestricted resources and restricted administrative contributions including donations and investment income designated for administrative activities.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Foundation's capital assets.

The Restricted Fund reports donations, fundraising expenses, and the related grants to South Okanagan Similkameen health care institutions, facilities, and agencies.

The Endowment Fund reports resources contributed for endowment. Investment income earned on resources of the Endowment Fund is reported in the appropriate restricted fund or the General Fund depending on the nature of any restrictions imposed by contributors of funds for endowment.

South Okanagan Similkameen Medical Foundation Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies (continued)

Revenue Recognition

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

Restricted contributions are recognized as revenue of the appropriate restricted fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. However, if no appropriate restricted fund is presented, then the restricted contribution is recognized as revenue of the General Fund in the year in which the related expenses are incurred. Investment income earned on Restricted contributions is not restricted and is recorded as revenue into the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowments are recognized as revenue in the Endowment Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Cafe, rental and promotional revenues are recorded when earned or when the amounts can be estimated and collection is reasonably assured.

South Okanagan Similkameen Medical Foundation Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies (continued)

Financial Instruments Financial Instruments are recorded at fair value at initial recognition.

Charitable Remainder Trusts are subsequently measured at amortized cost determined by an actuary using several relevant factors. Income from financial assets measured at amortized cost and realized gains and losses are reported in net income. Transaction costs on financial assets measured at amortized costs are capitalized.

Investments in equity instruments that are quoted in an active market are subsequently measured at fair value based on quoted market prices. Income from financial assets measured at fair value and gains and losses, whether realized or unrealized, are reported in net income. Transaction costs on financial assets measured at fair value are expensed when incurred.

Financial assets are tested for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, management 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 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 realized 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. Impairment losses, if any, are reported in net income in the year the impairment is identified.

Cash and Cash Equivalents Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less. Cash balances held in investment accounts are excluded from cash and cash equivalents.

Valuation of Inventory Inventory is measured at the lower of cost and net realizable value. Cost is determined using the first-in-first-out method.

Investment in Partnership The investment in The Care Closet consists of a one-third interest in the partnership and is reported using the equity method. Under this method, the investment was initially recorded at cost and then adjusted to recognize the Foundation's share of earnings or losses and reduced by distributions received. By virtue of the Foundation's investment in The Care Closet, the two entities are considered related parties.

South Okanagan Similkameen Medical Foundation Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies (continued)

Capital Assets

Purchased capital assets are reported at cost, or deemed cost. Contributed capital assets are recorded at the fair market value of the asset at the date of contribution if the fair market value can be reasonably estimated. Amortization is provided annually at the following rates and methods which have been established by estimates of useful lives of the assets.

Furniture and equipment	20% declining balance
Computer equipment	30% declining balance

Donated Supplies and Services

The Foundation benefits from the value of volunteer time which has not been recognized in the financial statements. The Foundation also receives office space and services from Interior Health for which no amount has been recorded in the financial statements. The value of donated supplies and services, when the amount can be reasonably estimated has been recorded at fair market value.

Use of Estimates

When preparing financial statements in accordance with ASNPO, management is required to make estimates and assumptions relating to the:

- Reported amounts of revenue and expenses for the year;
- Reported amounts of assets and liabilities; and
- Disclosure of contingent assets and liabilities at the report date.

These assumptions are based on a number of factors, including historical experience, current events and actions that the Foundation may undertake in the future, and other assumptions believed reasonable under the circumstances. Management periodically reviews these estimates and, accordingly, adjustments made to these estimates are taken into income in the year in which it is determined. These estimates are subject to measurement uncertainty, and actual results may therefore differ from those estimates.

South Okanagan Similkameen Medical Foundation Notes to Financial Statements

March 31, 2022

2. Investments

Investments reported as current assets consist of a portfolio of interest bearing securities and equity instruments. These investments are valued at fair market value and have a cost of \$6,937,334 (2021 - \$6,529,442). There is a restriction on the investments by a contributor that the amount of \$25,000 be held until October 2026 or the date of death of the contributor, whichever is later. Investment income includes realized gains of \$226,299 (2021 - realized losses of \$46,407) and unrealized gains of \$85,065 (2021 - unrealized losses of \$658,156).

Investments reported as non-current are as follows:

	2022	2021
Investment in partnership	\$ 65,931	\$ 72,765
The investment in the partnership represents a one-third interest in the Care Closet thrift store and is reported using the equity method.		
Endowment investments	2,791,461	2,717,248
The endowment investments consist of a portfolio of interest bearing securities and equity instruments. They are reported at fair market value and have a cost of \$2,601,107 (2021 - \$2,481,480).		

3. Land Held

The Foundation received a gift of land in 2012 with a fair market value of \$1,520,000. The terms of the gift include a restriction that the land shall not be used for any purpose other than the treatment and care of sick, wounded, infirm or aged persons, including ancillary uses therefore, which may include parking lot or parking structure. The restrictive covenant is perpetual. In addition the terms of the gift give the donor the right of first refusal on any sale of the land until September 2091. The Foundation has no immediate plans to develop the land.

The Foundation has a lease agreement for the land with [REDACTED] expiring June 30, 2024 although there is a clause that allows for earlier termination. Rent is set at \$46,200 per annum.

South Okanagan Similkameen Medical Foundation Notes to Financial Statements

March 31, 2022

4. Endowments

The Endowment Fund is made up of the proceeds from charitable remainder trusts and a donation from a specific estate in the amount of \$125,816, which is included in the assets of the endowment fund.

The terms of the endowment from the estate call for the principal of the endowment to be held in perpetuity and any income earned to be used for diagnostic equipment. The income earned on this endowment is reported in the restricted fund.

The terms of the charitable remainder trusts called for the funds to be held in a permanent endowment fund named the [REDACTED] Fund. Income earned from the endowment is to be used for the general purposes of the Foundation and is reported in the general fund.

5. Salaries, Honoraria and Benefits

The Society Act (British Columbia) requires certain information to be reported with regards to remuneration of employees, contractors and directors.

Included in wages and benefits is two employees with remuneration over \$75,000. No honoraria were paid to member of the Board of Directors for the 2022 and 2021 years.

6. Financial Instrument Risks

The Foundation is exposed to various risks through its financial instruments, without being exposed to any concentrations of risk. The main areas of risk are:

Credit risk:

Credit risk is the risk that one party to a financial asset will cause a loss for the Foundation by failing to discharge an obligation. The Foundation is not subject to significant credit risk as it does not grant credit on a regular basis and only recognizes in the financial statements pledges that have been received at the date of completion of the financial statements.

Market risk:

Market risk is the risk that the fair value or future cash flows of the Foundation's financial instruments will fluctuate because of changes in market prices. Market risk comprises interest rate risk and other price risk. Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market prices other than interest rate risk. Some of the Foundation's financial instruments expose it to market risk. The Foundation reduces this risk by investing in high quality equity and interest bearing instruments.

South Okanagan Similkameen Medical Foundation Notes to Financial Statements

March 31, 2022

7. Related Party Transactions

During the year, the Foundation received \$67,050 (2021 - \$40,800) in donations through a related party, the Care Closet. The donations have been recorded as a reduction to the investment in partnership.

8. Commitments and Pledges

The following commitments are owed by the Foundation and the pledges are owed to the Foundation. Included in the commitments are encumbrances to approved funds with Interior Health and are not accrued unless the Foundation has been invoiced or there is sufficient information available to support that Interior Health has incurred the respective costs at the year end.

Commitments

	2022	2021
Tower	\$ 879,157	\$ 1,834,108
CT Scanner	2,725,892	3,000,000
Remaining encumbrances	944,034	326,685
	\$ 4,549,083	\$ 5,160,793

Pledges

	2022	2021
CT Scanner funding (Penticton Regional Hospital)	\$ 1,275,000	\$ 1,275,000
X-Ray funding (Summerland Health Care)	350,000	550,000
Other funding	2,453	-
	\$ 1,627,453	\$ 1,825,000

South Okanagan Similkameen Medical Foundation
Schedule 1 - Cafe Net Income
Unaudited

For the year ended March 31	2022	2021
Cafe revenue	\$ 370,058	\$ 231,572
Cost of goods sold	<u>141,919</u>	<u>95,372</u>
Gross profit	228,139	136,200
Expenses		
Advertising and promotion	1,621	1,352
Equipment maintenance	-	1,225
Insurance	1,436	1,983
Interest and bank charges	3,628	3,765
Licences, dues and fees	150	265
Office and postage	3,507	998
Supplies	28,673	19,465
Telephone	1,013	504
Uniforms	-	100
Vehicle	-	75
Wages and benefits	<u>103,297</u>	<u>105,377</u>
	<u>143,325</u>	<u>135,109</u>
Income before other income	<u>84,814</u>	<u>1,091</u>
Other income		
Interest income	1,623	802
Other income	-	37,965
Net income	<u>\$ 86,437</u>	<u>\$ 39,858</u>