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# Financial statements of Headwaters Health Care Foundation

March 31, 2021

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## Independent Auditor's Report

To the Board of Directors of  
Headwaters Health Care Foundation

### Opinion

We have audited the financial statements of Headwaters Health Care Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and changes in fund balances and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2021, and the results of its operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The image shows the handwritten signature of Deloitte LLP in a cursive script.

Chartered Professional Accountants  
Licensed Public Accountants  
June 17, 2021

# Headwaters Health Care Foundation

## Statement of financial position

As at March 31, 2021

	Notes	2021 \$	2020 \$
<b>Assets</b>			
Current assets			
Cash	3	7,401,313	5,782,584
Investments	4	4,211,592	3,420,422
Accounts receivable		—	11,728
Interest receivable		4,593	8,093
Prepaid expenses		39,536	39,188
		<b>11,657,034</b>	<b>9,262,015</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		45,130	21,544
Due to Headwaters Health Care Centre	5	324,510	625,077
Deferred revenue		42,500	243,200
		<b>412,140</b>	<b>889,821</b>
Commitments	7		
<b>Fund balances</b>			
General fund		5,628,385	4,121,481
Restricted fund		3,291,825	1,926,029
Endowment fund	6	2,324,684	2,324,684
		<b>11,244,894</b>	<b>8,372,194</b>
		<b>11,657,034</b>	<b>9,262,015</b>

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

Approved by the Board



Tim Peters, Headwaters Health Care Foundation Board Chair

**Headwaters Health Care Foundation**  
**Statement of operations and changes in fund balances**  
Year ended March 31, 2021

	General Fund \$	Restricted Fund \$	Endowment Fund \$	2021 Total \$	2020 Total \$
Notes					
<b>Revenue</b>					
Donations and special events	2,543,344	2,273,173	—	4,816,517	3,864,482
Bequests	—	589,800	—	589,800	416,387
Investment income	12,065	792,199	—	804,264	295,997
Decrease in unrealized gains on investments	—	(40,983)	—	(40,983)	(314,065)
	<b>2,555,409</b>	<b>3,614,189</b>	<b>—</b>	<b>6,169,598</b>	4,262,801
<b>Expenses</b>	<b>981,229</b>	<b>25,196</b>	<b>—</b>	<b>1,006,425</b>	1,130,128
Excess of revenue over expenses	<b>1,574,180</b>	<b>3,588,993</b>	<b>—</b>	<b>5,163,173</b>	3,132,673
<b>Grants to Headwaters Health Care Centre</b>	<b>(67,276)</b>	<b>(2,223,197)</b>	<b>—</b>	<b>(2,290,473)</b>	(3,029,989)
	<b>1,506,904</b>	<b>1,365,796</b>	<b>—</b>	<b>2,872,700</b>	102,684
Fund balance, beginning of year	4,121,481	1,926,029	2,324,684	8,372,194	8,269,510
Interfund transfer	—	—	—	—	—
<b>Fund balance, end of year</b>	<b>5,628,385</b>	<b>3,291,825</b>	<b>2,324,684</b>	<b>11,244,894</b>	8,372,194

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

## Headwaters Health Care Foundation

### Statement of cash flows

Year ended March 31, 2021

	Notes	2021 \$	2020 \$
<b>Operating activities</b>			
Excess of revenue over expenses		<b>5,163,173</b>	3,132,673
Grants to Headwaters Health Care Centre		<b>(2,290,473)</b>	(3,029,989)
Items not affecting cash			
Decrease in unrealized gains on investments		<b>40,983</b>	314,065
		<b>2,913,683</b>	416,749
Change in non-cash operating items			
Accounts receivable		<b>11,728</b>	9,732
Interest receivable		<b>3,500</b>	2,102
Prepaid expenses		<b>(348)</b>	3,012
Accounts payable and accrued liabilities	11	<b>23,586</b>	(13,287)
Due to Headwaters Health Care Centre	11	<b>(300,567)</b>	(85,002)
Deferred revenue		<b>(200,700)</b>	136,640
		<b>2,450,882</b>	469,946
<b>Investing activity</b>			
Purchases of investments, net		<b>(832,153)</b>	(166,075)
Net cash inflow for the year		<b>1,618,729</b>	303,871
Cash, beginning of year		<b>5,782,584</b>	5,478,713
<b>Cash, end of year</b>		<b>7,401,313</b>	5,782,584

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

# Headwaters Health Care Foundation

## Notes to the financial statements

March 31, 2021

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### 1. Purpose of the organization

The Headwaters Health Care Foundation (the "Foundation") was incorporated on March 15, 1984 to establish and implement methods of community funding for excellence in health care.

The Foundation is registered as a public foundation. It is considered a charitable organization under the Income Tax Act, therefore, no provision for income taxes has been reflected in the accounts.

### 2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, using the restricted fund method for reporting contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

The financial statements separately disclose the activities of the following funds maintained by the Foundation:

- The General Fund accounts for the Foundation's general fundraising, granting and administrative activities. This fund records unrestricted revenue, which is available for immediate purposes.
- The Restricted Fund records revenue that is to be used for specific purposes as specified by the donor or the Board of Directors.
- The Endowment Fund reports resources where external donors require that the principal must be maintained permanently. In addition, certain resources with internal restrictions are also reported in the Endowment Fund.

The financial statements only include the assets, liabilities and activities of the funds described above. The financial statements do not include the assets, liabilities, and activities of related organizations, which are not controlled by the Foundation.

#### *Revenue recognition*

Restricted donations pledged or bequested to the Foundation are recognized as revenue in the appropriate restricted fund, in the year in which funds are received. Unrestricted revenues are recognized as revenue of the General Fund when received.

Endowment contributions are recognized as revenue of the Endowment Fund. Investment income earned from the investments is restricted and is therefore recorded in the restricted fund.

Gifts in kind are recorded as revenue and as expense if the fair value of the donation can be reasonably determined.

#### *Investments, investment income and unrealized gains and losses*

Investments which are comprised primarily of pooled funds are valued based on the reported net asset value per unit, as determined by the manager of the pooled funds. Also, included in investments are equity investments. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

Investment income, which consists of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses is recorded as revenue in the Statement of operations and changes in fund balances.



**2. Significant accounting policies (continued)**

*Financial instruments*

The Foundation initially recognizes financial instruments at fair value and subsequently measures them at each reporting date, as follows:

Asset/liability	Measurement
Cash and investments	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to the Headwaters Health Care Centre	Amortized cost

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset shall be written down and the resulting impairment loss shall be recognized in the Statement of operations for the period.

Transaction costs in respect of financial assets recorded at fair value are expensed as incurred. Transaction costs in respect of financial assets recorded at amortized cost and liabilities are capitalized.

*Contributed services*

Volunteers contribute many hours per year to assist the Foundation in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

*Use of estimates*

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year then ended. Actual results may differ from those estimates. Accounts requiring estimates and assumptions include the valuation of investments and accrued liabilities.

**3. Cash**

Cash balances related to the various funds are as follows:

	<b>2021</b>	2020
	\$	\$
Unrestricted	<b>1,065,343</b>	724,790
Internally and externally restricted	<b>6,335,970</b>	5,057,794
	<b>7,401,313</b>	5,782,584

**4. Investments**

	<b>Cost</b>	<b>2021 Market</b>	Cost	2020 Market
	\$	\$	\$	\$
Cash and cash equivalents	<b>744</b>	<b>744</b>	43,367	43,367
Fixed Income Fund	<b>919,068</b>	<b>888,938</b>	1,486,335	1,470,737
Canadian Equity Fund	<b>756,961</b>	<b>804,129</b>	830,476	827,308
US Equity Fund	—	—	473,850	559,743
Global Equity Fund	<b>1,870,893</b>	<b>1,876,256</b>	259,057	289,736
Alternative Canada Fund	<b>67,221</b>	<b>69,985</b>	176,295	173,742
Hedge Strategies Fund	<b>485,888</b>	<b>497,384</b>	—	—
Equities	<b>47,875</b>	<b>74,156</b>	47,117	55,789
	<b>4,148,650</b>	<b>4,211,592</b>	3,316,497	3,420,422

In December 2020, the Foundation adopted a Statement of Long-Term Investment Policies and Procedures, including amendments to permitted investments. For the year ended March 31, 2021, the Foundation recognized investment income of \$792,199 (2020 - \$271,358) in the Restricted Fund, of which \$695,920 is related to gains on the sale of investments in connection with the implementation of the amendments to permitted investments.

The investment portfolio as at March 31, 2021 reflects the Statement of Long-Term Investment Policies and Procedures adopted during the year.

**5. Due to Headwaters Health Care Centre**

The Foundation solicits funds to support the Headwaters Health Care Centre (the "Hospital") for the acquisition of equipment and to update the facilities of the Hospital.

In addition, the Hospital directly pays for the operating expenses of the Foundation for which the Foundation is required to reimburse the Hospital. The amount due to the Hospital is non-interest bearing.

The amount due to the Hospital as at March 31, 2021 is comprised of the following:

	<b>2021</b>	2020
	\$	\$
Reimbursement for operating expenses paid on behalf of the Foundation	<b>133,118</b>	207,058
Capital assets purchased by the Hospital (Note 7)	<b>191,392</b>	418,019
	<b>324,510</b>	625,077

## Headwaters Health Care Foundation

### Notes to the financial statements

March 31, 2021

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#### 6. Endowment fund

The Endowment Fund consists of externally restricted contributions received by the Foundation and internally endowed amounts. Endowment principal is required to be maintained intact.

Endowment principal at March 31, 2021 is as follows:

	2021	2020
	\$	\$
Externally restricted	1,462,024	1,462,024
Internally restricted	862,660	862,660
	<b>2,324,684</b>	<b>2,324,684</b>

Endowed funds are invested in accordance with the Statement of Long-Term Investment Policies and Procedures approved by the Board of Directors.

Investment income earned on the Endowment Fund is recorded in the Restricted Fund (Note 4).

#### 7. Commitments

The Foundation has a policy to grant funds primarily for the acquisition of equipment or updates to the facilities of the Hospital when the Hospital has acquired or is committed to acquire the equipment or facility upgrade.

As at March 31, 2021, the Foundation has an outstanding commitment to the Hospital of approximately \$10.59 million (\$11.95 million as at March 31, 2020) which includes capital assets not yet purchased of \$10.40 million (\$11.53 million as at March 31, 2020) and a payable of \$191,392 (\$418,019 as at March 31, 2020) for capital assets purchased by the Hospital before March 31, 2021 (Note 5).

#### 8. Interfund transfer

The Foundation's Board approved an interfund transfer of \$nil (\$400,000 in 2020) from the General Fund to the Restricted Fund.

#### 9. Guarantees

In the normal course of business, the Foundation enters into agreements that meet the definition of a guarantee. The Foundation's primary guarantees are as follows:

- (i) Indemnity has been provided to all directors and officers of the Foundation for various items including, but not limited to, all costs to settle suits or actions due to association with the Foundation, subject to certain restrictions. The Hospital has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of indemnification is not explicitly defined but is limited to the period over which the indemnification party served as a director or officer of the Foundation. The maximum amount of any potential future payment cannot be reasonably estimated.
- (ii) In the normal course of business, the Foundation has entered into agreements that include indemnities in favour of third parties. These indemnification agreements may require the Foundation to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims of statutory sanctions that may be suffered by the counterparty as a consequence of the transaction.

## **9. Guarantees (continued)**

The nature of these indemnification agreements prevents the Foundation from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Foundation has not made any significant payments under such or similar indemnification agreements and, therefore, no amount has been accrued in the statement of financial position with respect to these agreements.

## **10. Financial instruments and risk management**

### *Financial risk management*

The Foundation is subject to market, currency and interest rate risks with respect to its investments.

### *Market risk*

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Foundation to a risk of loss through its investment which are primarily invested in the various pooled funds.

### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation's investments include pooled funds, which hold non-Canadian equities, the value of which fluctuates in part due to changes in foreign exchange rates. The U.S. and International Equity Funds hold assets and liabilities denominated in currencies other than Canadian dollars and these funds are therefore directly exposed to currency risk as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

### *Interest rate risk*

Investments in the pooled funds such as bonds and short-term investments are exposed to interest rate fluctuations.

### *Liquidity risk*

Liquidity risk relates to the potential that the Foundation will not be able to meet a demand for cash or fund its obligations as they come due as a result of the Foundation's inability to liquidate assets in a timely manner and at a reasonable price. The Foundation is not exposed to liquidity risk.

## **11. Pandemic response**

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

The duration and longer-term impact of the COVID-19 pandemic is unknown at this time and it is not possible to reliably estimate the impact that the severity and length of the pandemic will have on the financial results and condition of the Foundation in future periods.