

The Wales Home Foundation
Financial Statements
March 31, 2020

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Raymond Chabot
Grant Thornton

Independent Auditor's Report

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To the Directors of
The Wales Home Foundation

Qualified opinion

We have audited the financial statements of The Wales Home Foundation (hereafter "the Organization"), 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 financial statements, including a summary of significant accounting policies, and the schedule.

In our opinion, except for the possible effects of the matter described in the "Basis for qualified opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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 Organization derives revenue from contributions to fund-raising campaigns, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these contributions was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess (deficiency) of revenues over expenses and cash flows from operating activities for the years ended March 31, 2020 and 2019, current assets as at March 31, 2020 and 2019 and net assets as at April 01, 2019 and 2018 and March 31, 2020 and 2019. Our opinion on the financial statements for the year ended March 31, 2019 was qualified accordingly because of the possible effects of this limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Organization 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

*Raymond Chabot Grant Thornton LLP*¹

Sherbrooke
August 18, 2020

¹ CPA auditor, CA public accountancy permit no A124217

The Wales Home Foundation Operations

Year ended March 31, 2020

	General Fund		Restricted Funds		Endowment Fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Contributions								
Campaign (Note 8)	396,551	546,253	101,713	101,257			498,264	647,510
Bequests	1,289,138	922,475					1,289,138	922,475
Memorial donations	9,736	4,309					9,736	4,309
Net investment income (loss) (Schedule)	(135,147)	394,422	(93,230)	89,358	(709)	78,358	(229,086)	562,138
	<u>1,560,278</u>	<u>1,867,459</u>	<u>8,483</u>	<u>190,615</u>	<u>(709)</u>	<u>78,358</u>	<u>1,568,052</u>	<u>2,136,432</u>
Expenses								
Administration fees on investments	43,158	45,649					43,158	45,649
Rent and management fees - The Wales Home - Foyer Wales	62,346	42,004					62,346	42,004
Professional fees	17,435	18,208					17,435	18,208
Insurance	1,381	855					1,381	855
Campaign - Expenses	3,195	4,221					3,195	4,221
Golf tournament	22,524	22,593					22,524	22,593
Equipment expenses	1,221	461					1,221	461
	<u>151,260</u>	<u>133,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,260</u>	<u>133,991</u>
Excess (deficiency) of revenues over expenses before donations	<u>1,409,018</u>	<u>1,733,468</u>	<u>8,483</u>	<u>190,615</u>	<u>(709)</u>	<u>78,358</u>	<u>1,416,792</u>	<u>2,002,441</u>
Donations to The Wales Home - Foyer Wales for								
Missions	7,053	10,517					7,053	10,517
Property and equipment	1,493,336	1,560,703					1,493,336	1,560,703
	<u>1,500,389</u>	<u>1,571,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500,389</u>	<u>1,571,220</u>
Excess (deficiency) of revenues over expenses	<u>(91,371)</u>	<u>162,248</u>	<u>8,483</u>	<u>190,615</u>	<u>(709)</u>	<u>78,358</u>	<u>(83,597)</u>	<u>431,221</u>

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

The Wales Home Foundation Changes in Fund Balances

Year ended March 31, 2020

	2020				2019	
	Restricted Fund - David Webster Memorial	Restricted Fund - Prest Floyd	Restricted Fund - Charles & Lena Ross	Endowment Fund - Sherbrooke Hospital Foundation	Total	Total
Fund balances, beginning of year	\$ 721,498	\$ 53,301	\$ 223,065	\$ 1,109,144	\$ 6,331,742	\$ 5,900,521
Excess (deficiency) of revenues over expenses	(58,236)	(7,664)	74,383	(709)	(83,597)	431,221
Fund balances, end of year	663,262	45,637	297,448	1,108,435	6,248,145	6,331,742

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

The Wales Home Foundation

Cash Flows

Year ended March 31, 2020

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses of General Fund and Restricted Funds	(82,888)	352,863
Non-cash items		
Donations in kind	(224,917)	(138,680)
Net change in fair value of investments from General Fund and Restricted Funds	(347,057)	352,332
	<u>(654,862)</u>	<u>566,515</u>
Changes in working capital items		
Trade accounts receivable	(275)	(7,077)
Trade and other payables	(542,120)	344,836
	<u>(542,395)</u>	<u>337,759</u>
Cash flows from operating activities	<u>(1,197,257)</u>	<u>904,274</u>
INVESTING ACTIVITIES		
Investments	(125,174)	(2,399,012)
Disposal of investments	1,328,687	1,664,039
Cash flows from investing activities	<u>1,203,513</u>	<u>(734,973)</u>
FINANCING ACTIVITIES		
Interest and dividends from Sherbrooke Hospital Foundation Endowment Fund and cash flows from financing activities	2,243	2,293
Net increase in cash	<u>8,499</u>	<u>171,594</u>
Cash, beginning of year	184,266	12,672
Cash, end of year	<u>192,765</u>	<u>184,266</u>

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

**The Wales Home Foundation
Financial Position**

March 31, 2020

	2020					2019	
	General Fund	Restricted Fund - David Webster Memorial	Restricted Fund - Prest Floyd	Restricted Fund - Charles & Lena Ross	Endowment Fund - Sherbrooke Hospital Foundation	Interfund balances	Total
	\$	\$	\$	\$	\$	\$	\$
ASSETS							
Investments (Note 4)	4,388,736	613,175	41,495	209,331	1,009,344	6,262,081	6,896,572
Cash	192,765					192,765	184,266
Trade and other receivables	13,661					13,661	13,386
Interfund balances		50,087	4,142	88,117	99,091	(241,437)	
	<u>4,595,162</u>	<u>663,262</u>	<u>45,637</u>	<u>297,448</u>	<u>1,108,435</u>	<u>(241,437)</u>	<u>7,094,224</u>
LIABILITIES							
Trade and other payables (Note 5)	220,362					220,362	762,482
Interfund balances	241,437					(241,437)	
	<u>461,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(241,437)</u>	<u>762,482</u>
FUND BALANCES							
Externally restricted	4,133,363	663,262	45,637	297,448	1,108,435	2,114,782	2,107,008
Unrestricted	4,133,363	663,262	45,637	297,448	1,108,435	4,133,363	4,224,734
	<u>4,595,162</u>	<u>663,262</u>	<u>45,637</u>	<u>297,448</u>	<u>1,108,435</u>	<u>(241,437)</u>	<u>6,468,507</u>
							<u>7,094,224</u>

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

On behalf of the Board,

Director

Director

The Wales Home Foundation

Notes to Financial Statements

March 31, 2020

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Organization, incorporated under Part III of the Companies Act (Quebec), provides financial aid to The Wales Home - Foyer Wales and to Centre d'Hébergement et de Soins de Longue Durée Wales Inc. It is a registered charity under the Income Tax Act.

2 - IMPACTS RESULTING FROM THE COVID-19 PANDEMIC

In March 2020, the decree of a COVID-19 state of pandemic and the numerous measures put in place by the federal, provincial and municipal governments to protect the public had impacts on the Foundation's operations. The impacts to the Foundation are the result of the pandemic's impact on the financial markets in North America, which directly impact the investment portfolios held by the Foundation. This crisis is likely to cause significant changes to the assets or liabilities in the coming year or have a significant impact on future operations.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund accounting

Assets, liabilities, revenues and expenses relating to administration are reported in the General Fund.

Interest and dividends earned on the David Webster Memorial Fund are reported in the General Fund. Gains or losses on investments remain in the David Webster Memorial Fund. The Wales Home Foundation may, at its discretion as it deems necessary or desirable, encroach on the capital of the fund for the benefit of The Wales Home - Foyer Wales. Such encroachment shall not exceed \$15,000 in any calendar year and no encroachment shall be permitted where it would have the effect of reducing the capital of the fund to an amount less than \$100,000.

Interest and dividends earned on the Charles & Lena Ross Fund are to be recorded in the following manner: 75% in the General Fund to be used for capital projects and 25% in the Charles & Lena Ross Fund to be reinvested with the capital for the time that Mrs. Lena Ross is alive. Upon her death, 90% in the General Fund is to be used for capital projects and 10% in the Charles & Lena Ross Fund is to be reinvested with the capital until March 2024. Following that date, the fund's capital may be used for capital projects. At no time the capital of the fund must go under \$1,500,000. If the fund's capital reaches this limit, the 90%-10% rule will then have to be respected again to recapitalize the fund.

Endowment contributions received are reported in the Endowment Funds. Interest and dividend income earned on Endowment Fund resources, except for the Sherbrooke Hospital Foundation Endowment Fund, is reported in the General Fund. Net changes in fair value of investments remain in the Endowment Funds.

Interest and dividends earned on the Sherbrooke Hospital Foundation Endowment Fund are to be recorded in the following manner: 90% in the General Fund to be used for capital projects and 10% in the Sherbrooke Hospital Foundation Endowment Fund to be reinvested with the capital. If there is no capital project during the year, all the revenue is to be reinvested with the capital. No revenue is to be used for salaries or general administrative expenses.

The Wales Home Foundation

Notes to Financial Statements

March 31, 2020

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements, notes to financial statements and schedule. These estimates are based on management's knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Organization's financial assets and liabilities from transactions not concluded with related parties and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in earnings in the year they are incurred.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets), except for investments in Canadian stocks, foreign stocks and mutual funds which are measured at fair value and bond investments which the Organization has elected to measure at fair value by designating that fair value measurement shall apply.

With respect to financial assets measured at amortized cost, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in the statement of operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in the statement of operations in the year the reversal occurs.

Revenue recognition

Contributions

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

Contributions restricted for operating expenses are recognized as revenue in the General Fund, using the deferral method in the year during which the related expenses are incurred. Restricted contributions for which the Organization does not have a related restricted fund are recognized in the General Fund using the deferral method. All other restricted contributions are reported as revenue of the appropriate restricted fund.

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

Contributions received as endowments are recognized as revenue of the related Endowment Fund.

The Wales Home Foundation

Notes to Financial Statements

March 31, 2020

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Moreover, the Organization may recognize contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

Net investment income (loss)

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting. Net investment income loss includes interest and dividend income and changes in fair value. Interest income is recognized on a time apportionment basis whereas dividend income is recognized when it is acquired. Income from mutual funds is recognized upon distribution. Changes in fair value are recognized when they occur.

Related party transactions

Donations to The Wales Home - Foyer Wales, an organization exercising control, represent related party transactions. These transactions are measured at the exchange amount.

4 - INVESTMENTS

	2020	2019
	\$	\$
General Fund		
Bonds (*)		370,174
Canadian stocks	1,536,459	1,790,827
Foreign stocks	2,852,277	2,790,359
	<u>4,388,736</u>	<u>4,951,360</u>
David Webster Memorial Fund		
Bonds (*)	37,315	29,183
Canadian stocks	410,750	459,275
Foreign stocks	165,110	158,015
Mutual funds		8,000
	<u>613,175</u>	<u>654,473</u>
Prest Floyd Fund		
Bonds (*)		1,999
Canadian stocks	14,214	19,056
Foreign stocks	27,281	26,898
	<u>41,495</u>	<u>47,953</u>
Charles & Lena Ross Fund		
Canadian stocks	193,212	198,519
Foreign stocks	16,119	24,311
	<u>209,331</u>	<u>222,830</u>
Sherbrooke Hospital Endowment Fund		
Bonds (*)	218,862	218,820
Canadian stocks	317,401	383,180
Foreign stocks	473,081	417,956
	<u>1,009,344</u>	<u>1,019,956</u>
	<u>6,262,081</u>	<u>6,896,572</u>

The Wales Home Foundation

Notes to Financial Statements

March 31, 2020

4 - INVESTMENTS (Continued)

(*) Bonds, totalling \$256,177 (\$620,176 as at March 31, 2019) in all the funds, are at interest rates varying between 1.25% and 4.20% (1.15% and 5.3% as at March 31, 2019), and mature between June 2020 and September 2021.

5 - TRADE AND OTHER PAYABLES

	<u>2020</u>	<u>2019</u>
	\$	\$
General Fund		
The Wales Home - Foyer Wales, an organization exercising control	220,362	761,993
Other		489
	<u>220,362</u>	<u>762,482</u>

6 - GUARANTEES

The Organization guarantees the mortgage loans of The Wales Home - Foyer Wales, owned jointly and severally with Centre d'Hébergement et de Soins de Longue Durée Wales Inc., for maximum authorized amounts of \$6,730,000 and \$2,500,000, with balances due of \$6,510,533 and \$1,052,238 respectively as at March 31, 2020. The Organization did not require any consideration in exchange for assuming these responsibilities. Under the terms of the agreements, the Organization must be prepared to fulfil the entities' bank loan repayment obligations if the latter are unable to do so. In the opinion of management, it is unlikely that these guarantees will be exercised and, accordingly, no liability has been recorded in the financial statements in this respect.

7 - FINANCIAL RISKS

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization is also exposed to credit risk because it has guaranteed other parties' loan (Note 6).

Market risk

The Organization's financial instruments expose it to market risk, in particular, currency risk, interest rate risk and other price risk, resulting from its investing activities.

Currency risk

The Organization is exposed to currency risk due to cash and investments denominated in U.S. dollars. As at March 31, 2020, cash and investments denominated in U.S. dollars total \$3,537,895 (\$3,420,051 as at March 31, 2019).

Interest rate risk

The Organization is exposed to interest rate risk with respect to financial assets bearing fixed interest rates.

The bonds bear interest at fixed rates and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The Wales Home Foundation

Notes to Financial Statements

March 31, 2020

7 - FINANCIAL RISKS (Continued)

Other price risk

The Organization is exposed to other price risk due to investments in Canadian stocks and foreign stocks since changes in market prices could result in changes in the fair value or cash flows of these instruments.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

8 - CAMPAIGN

	<u>2020</u>	<u>2019</u>
	\$	\$
General Fund		
Campaign donations		
Individuals	172,499	106,007
Businesses	36,724	37,523
Other foundations	<u>126,370</u>	<u>325,500</u>
	<u>335,593</u>	469,030
Golf tournament		
Individuals	31,231	32,998
Businesses	<u>29,727</u>	<u>44,225</u>
	<u>60,958</u>	77,223
Restricted Fund - Charles & Lena Ross		
Campaign donations		
Individuals	<u>101,713</u>	<u>101,257</u>
	<u>498,264</u>	<u>647,510</u>

The Wales Home Foundation Schedule

Year ended March 31, 2020

	2020					2019								
	Restricted Funds					Restricted Funds								
	General Fund	David Webster Memorial	Prest Floyd	Charles & Lena Ross	Total	Endowment Fund - Sherbrooke Hospital Foundation	Total	General Fund	David Webster Memorial	Prest Floyd	Charles & Lena Ross	Total	Endowment Fund - Sherbrooke Hospital Foundation	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Interest and dividends from														
General Fund	77,176						77,176	92,641						92,641
David Webster Memorial Fund	15,477						15,477	14,726						14,726
Prest Floyd Fund	895						895	656						656
Charles & Lena Ross Fund	3,711			1,237	1,237		4,948	2,088			696	696	2,784	2,784
Sherbrooke Hospital Foundation Fund	20,184					2,243	22,427	20,641					2,293	22,934
Net change in fair value of investment	(252,590)	(58,236)	(7,664)	(28,567)	(94,467)	(2,952)	(350,009)	263,670	46,418	6,030	36,214	88,662	76,065	428,397
	(135,147)	(58,236)	(7,664)	(27,330)	(93,230)	(709)	(229,086)	394,422	46,418	6,030	36,910	89,358	78,358	562,138