

**CAMBRIDGE MEMORIAL  
HOSPITAL FOUNDATION**

**FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Members of  
**Cambridge Memorial Hospital Foundation**

We have audited the accompanying financial statements of **Cambridge Memorial Hospital Foundation**, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Basis for Qualified Opinion**

In common with many non-profit organizations, the Foundation derives revenue from fundraising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditure and fund balances.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Cambridge Memorial Hospital Foundation** as at March 31, 2017, 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.



Cambridge, Ontario  
May 30, 2017

Chartered Professional Accountants, authorized to practise public  
accounting by the Chartered Professional Accountants of Ontario

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES  
YEAR ENDED MARCH 31, 2017**

	UNRESTRICTED FUNDS		RESTRICTED FUNDS				2017 \$	2016 \$
	General \$	Contingency \$	Program \$	Equipment \$	Transformation CMH \$	Endowment \$		
<b>Revenue</b>								
Annual giving	414,753		117,649	11,490	121,225	900	666,017	547,571
Major gifts	306,822		95,191	58,000	834,714		1,294,727	1,388,870
Planned giving	316,196		28,931	50	77,530		422,707	427,090
Special events	68,489		149,633	136,044	211,894		566,060	589,247
	<b>1,106,260</b>		<b>391,404</b>	<b>205,584</b>	<b>1,245,363</b>	<b>900</b>	<b>2,949,511</b>	<b>2,952,778</b>
<b>Expenditures</b>								
Annual giving	74,440		29,707		15,577		119,724	131,604
Major gifts	( 5,428)		1,902		85,479		81,953	101,369
Planned giving	14,016						14,016	14,088
Special events	19,296		40,664	78,574	52,486		191,020	197,009
Human resources	603,175	63,330					666,505	592,261
Administration	108,143		187		9,861		118,191	89,167
	<b>813,642</b>	<b>63,330</b>	<b>72,460</b>	<b>78,574</b>	<b>163,403</b>		<b>1,191,409</b>	<b>1,125,498</b>
<b>Excess (deficiency) of revenue over expenditures before other items</b>	<b>292,618</b>	<b>( 63,330)</b>	<b>318,944</b>	<b>127,010</b>	<b>1,081,960</b>	<b>900</b>	<b>1,758,102</b>	<b>1,827,280</b>
<b>Other items</b>								
Grants to Cambridge Memorial Hospital	( 10,455)		( 415,975)	( 98,467)	( 9,663,925)		( 10,188,822)	( 1,556,123)
Investment income (loss) (note 5)	( 48,384)		24,914	5,337	482,514	19,390	483,771	( 37,178)
	<b>( 58,839)</b>		<b>( 391,061)</b>	<b>( 93,130)</b>	<b>( 9,181,411)</b>	<b>19,390</b>	<b>( 9,705,051)</b>	<b>( 1,593,301)</b>
<b>Excess (deficiency) of revenue over expenditures for year</b>	<b>233,779</b>	<b>( 63,330)</b>	<b>( 72,117)</b>	<b>33,880</b>	<b>( 8,099,451)</b>	<b>20,290</b>	<b>( 7,946,949)</b>	<b>233,979</b>
Fund balances, beginning of year	699,076	1,962,909	756,739	137,438	18,007,161	550,724	22,114,047	21,880,068
<b>Fund balances, end of year</b>	<b>932,855</b>	<b>1,899,579</b>	<b>684,622</b>	<b>171,318</b>	<b>9,907,710</b>	<b>571,014</b>	<b>14,167,098</b>	<b>22,114,047</b>

**FINANCIAL POSITION  
MARCH 31, 2017**

	2017 \$	2016 \$
<b>ASSETS</b>		
Cash (note 3)	8,780,966	5,606,283
Accounts receivable (note 4)	67,426	111,720
Prepaid expenses	5,298	5,380
Investments (note 6)	5,400,547	16,462,110
Capital assets (note 7)	5,230	5,883
	<b>14,259,467</b>	<b>22,191,376</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (note 8)	90,569	76,829
Deferred revenue	1,800	500
	<b>92,369</b>	<b>77,329</b>
<b>FUND BALANCES</b>		
Externally restricted	571,014	550,724
Internally restricted	10,763,650	19,006,489
Unrestricted	2,832,434	2,556,834
	<b>14,167,098</b>	<b>22,114,047</b>
	<b>14,259,467</b>	<b>22,191,376</b>

**APPROVED BY THE BOARD:**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2017**

	2017 \$	2016 \$
<b>Cash flows from operating activities:</b>		
Excess (deficiency) of revenue over expenditures for year	( 7,946,949)	233,979
Items not involving cash:		
Amortization	8,498	1,934
Change in fair value of investments (note 5)	( 302,890)	457,472
	( 8,241,341)	693,385
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	44,294	( 1,864)
Prepaid expenses	82	( 460)
Accounts payable and accrued liabilities	13,741	5,801
Deferred revenue	1,300	( 6,700)
	( 8,181,924)	690,162
<b>Cash flows from investment activities:</b>		
Purchase of investments	( 7,122,982)	( 10,700,086)
Proceeds of sale of investments	18,487,434	8,122,523
Additions to capital assets	( 7,845)	
	11,356,607	( 2,577,563)
<b>Net increase (decrease) in cash</b>	<b>3,174,683</b>	<b>( 1,887,401)</b>
Cash, beginning of year	5,606,283	7,493,684
<b>Cash, end of year</b>	<b>8,780,966</b>	<b>5,606,283</b>

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**EXPLANATORY FINANCIAL NOTES**  
**YEAR ENDED MARCH 31, 2017**

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**1. Nature of Organization**

The Cambridge Memorial Hospital Foundation (the "Foundation") is a registered charity incorporated without share capital under the laws of Ontario. Its principal activity is to raise, steward and grant funds to support the equipment, building, research and education needs of the Cambridge Memorial Hospital (the "Hospital").

As the Foundation is a registered charity under the Income Tax Act, its income is not taxable and it is eligible to issue official income tax receipts for charitable donations.

**2. Summary of Significant Accounting Policies**

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

**(a) Fund accounting**

The Foundation uses the restricted fund method of accounting for contributions. To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are classified for reporting purposes into funds, in accordance with activities or objectives specified by the donors or in accordance with directives issued by the Board of Directors. For financial reporting purposes, the fund balances have been classified into three categories of funds consisting of the following:

The **Unrestricted funds**, account for the Foundation's general fundraising, granting and administrative activities.

The **Restricted funds**, include those resources to be used for identified purposes as specified externally by donors or internally by the Board of Directors.

The **Endowment fund**, includes those resources for which the donor has stipulated that the capital portion of the funds be maintained permanently and funds designated internally to be for endowment purposes.

**(b) Revenue recognition**

Donations are recorded as revenue when received. Tangible donations-in-kind are recorded at fair value at the time of the donation. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Unrestricted donations are recorded as revenue of the general unrestricted fund. Designated donations represent contributions received for specific purposes and are recorded as revenue of the restricted funds. Endowment donations represent contributions received where only the income earned from the investment of the amounts received can be expensed.

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**EXPLANATORY FINANCIAL NOTES**  
**YEAR ENDED MARCH 31, 2017**

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**2. Summary of Significant Accounting Policies (Continued)**

**(c) Expenses**

Expenses are recognized in the year incurred and are recorded in the function in which they are directly related.

The Foundation allocates all salaries to the unrestricted fund.

**(d) Financial instruments**

The Foundation's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities.

Financial instruments are initially measured at fair value. Subsequently they are measured at amortized cost, except cash and investments which are measured at fair value.

Investment revenue includes interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses.

**(e) Amortization of capital assets**

The Foundation amortizes capital assets using the straight-line method at annual rates which will amortize the assets over their estimated useful lives:

Computer hardware	3 years
Donor wall	5 years
Furniture and equipment	5 years

**(f) Use of estimates**

The preparation of these financial statements in conformity 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

**3. Cash**

The Foundation's bank accounts are held at one chartered bank and earn interest at a nominal rate. Also included in cash is \$29,641 (\$3,251,465 in 2016) held in investment accounts earning interest at prime minus 1.75%.



**EXPLANATORY FINANCIAL NOTES**  
**YEAR ENDED MARCH 31, 2017**

	2017 \$	2016 \$
<b>4. Accounts Receivable</b>		
HST receivable	43,786	40,045
Accrued interest	23,640	71,675
	<b>67,426</b>	<b>111,720</b>
<b>5. Investment Income</b>		
Interest and dividends	229,265	469,616
Change in fair value of investments	302,890	( 457,472)
Investment management fees	( 48,384)	( 49,322)
<b>Total investment income (loss)</b>	<b>483,771</b>	<b>( 37,178)</b>
<b>6. Investments</b>		
Fixed income securities with effective interest rates between 1.1% and 10.80%, maturing between April 2017 and June 2022	4,594,199	11,818,289
Equities	806,348	4,643,821
	<b>5,400,547</b>	<b>16,462,110</b>
<p>Equities are comprised of portfolio investments in Canadian and American public companies. The shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on a quarterly basis and are recognized as income when received.</p>		
<b>7. Capital Assets</b>		
<b>Cost</b>		
Computer hardware	7,845	9,632
Donor wall	54,855	54,855
Furniture and equipment	5,177	5,177
	<b>67,877</b>	<b>69,664</b>
<b>Accumulated amortization</b>		
Computer hardware	2,615	9,632
Donor wall	54,855	48,972
Furniture and equipment	5,177	5,177
	<b>62,647</b>	<b>63,781</b>
<b>Net Book Value</b>	<b>5,230</b>	<b>5,883</b>

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**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED MARCH 31, 2017**

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**8. Accounts Payable and Accrued Liabilities**

There were no amounts payable with respect to government remittances as of the year end date.

**9. Due to Cambridge Memorial Hospital**

The Foundation is a separate entity and disburses funds at the discretion of its Board of Directors. As substantially all of the Foundation funds benefit the Hospital, the Hospital is a related entity.

The Hospital processes the Foundation's payroll during the year. A total of \$586,812 (\$585,230 in 2016) was paid to the Cambridge Memorial Hospital for payroll expenses.

All of the above transactions are recorded at the exchange amount which approximates the fair value of services rendered. A balance payable to the Hospital of \$28,359 (\$52,615 in 2016) was included in accounts payable at March 31, 2017.

The Hospital also provides the Foundation with its operating premises at no expense to the Foundation.

**10. Pension Plans**

Substantially all of the employees of the Foundation are members of the Hospitals 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, which 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 required to provide a high level of assurance that benefits will be fully represented by Plan assets at retirement. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

**11. Financial Instruments**

**Fair value**

The fair value of accounts receivable, accounts payable and accrued liabilities are recorded at amounts that approximate their fair value due to their short-term maturity.

The fair value of investments is disclosed in note 6.

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**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED MARCH 31, 2017**

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**11. Financial Instruments (Continued)**

**Risks arising from financial instruments**

The Foundation is exposed to interest rate, credit, foreign currency and other market risks from its investment portfolio.

Interest rate risk refers to the adverse consequences of interest rate changes. The Foundation has investments in bonds with fixed rates, which are subject to this risk. The value of fixed rate instruments will generally rise if interest rates fall and fall if interest rates rise.

Credit risk is the risk of financial loss if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Foundation's investments in fixed income securities.

Foreign currency risk refers to the extent to which instruments denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to other currencies. The Foundation has investments in various U.S. securities and cash, which are subject to foreign currency risk. As such, its exposure to currency risk is limited to those investments denominated in U.S. currencies of \$NIL (\$375,416 in 2016). The Foundation does not hedge its foreign currency risk.

Market volatility risk is generally inherent in the Foundation's investment portfolio and refers to the extent that the fair value or future cash flows from financial instruments will fluctuate because of changes in various other market factors affecting equity prices, including general economic conditions.

The Foundation mitigates the above noted risks through the use of investment policies and managers, whose objective is to manage and control market risk exposures within acceptable parameters while optimizing the return.