

**CAMBRIDGE MEMORIAL
HOSPITAL FOUNDATION**

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

**MARCH 31, 2016
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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, 2016, 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, 2016, 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 31, 2016

CHARTERED 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, 2016

	UNRESTRICTED FUNDS		RESTRICTED FUNDS				2016 \$	2015 \$
	General \$	Contingency \$	Program \$	Equipment \$	Transformation CMH \$	Endowment \$		
Revenue								
Annual giving	309,010		115,608	26,028	96,175	750	547,571	514,949
Major gifts	65,000		22,836		1,301,034		1,388,870	1,102,886
Planned giving	310,462		40,818		25,236	50,574	427,090	930,258
Special events	56,301		142,241	163,432	227,273		589,247	684,029
	740,773		321,503	189,460	1,649,718	51,324	2,952,778	3,232,122
Expenditures								
Annual giving	73,670		30,938		26,996		131,604	133,559
Major gifts	9,393		86		91,890		101,369	64,398
Planned giving	14,088						14,088	15,922
Special events	13,394		42,664	73,268	67,683		197,009	174,754
Human resources	592,261						592,261	558,907
Administration	78,577				10,590		89,167	114,985
	781,383		73,688	73,268	197,159		1,125,498	1,062,525
Excess (deficiency) of revenue over expenditures before other items	(40,610)		247,815	116,192	1,452,559	51,324	1,827,280	2,169,597
Other items								
Grants to Cambridge Memorial Hospital	(368)		(642,420)	(84,178)	(829,157)		(1,556,123)	(3,397,503)
Investment income (loss) (note 5)	(48,538)	1,079		76	9,902	303	(37,178)	1,242,101
	(48,906)	1,079	(642,420)	(84,102)	(819,255)	303	(1,593,301)	(2,155,402)
Excess (deficiency) of revenue over expenditures for year	(89,516)	1,079	(394,605)	32,090	633,304	51,627	233,979	14,195
Fund balances, beginning of year	683,441	1,961,830	1,250,634	105,349	17,379,717	499,097	21,880,068	21,865,873
Fund balances, end of year	593,925	1,962,909	856,029	137,439	18,013,021	550,724	22,114,047	21,880,068

**FINANCIAL POSITION
MARCH 31, 2016**

	2016 \$	2015 \$
ASSETS		
Cash (note 3)	5,606,283	7,493,684
Accounts receivable (note 4)	111,720	109,856
Prepaid expenses	5,380	4,920
Investments (note 6)	16,462,110	14,342,020
Capital assets (note 7)	5,883	7,817
	22,191,376	21,958,297
LIABILITIES		
Accounts payable and accrued liabilities (note 8)	76,829	71,029
Deferred revenue	500	7,200
	77,329	78,229
FUND BALANCES		
Externally restricted	550,724	499,097
Internally restricted	19,006,489	18,735,700
Unrestricted	2,556,834	2,645,271
	22,114,047	21,880,068
	22,191,376	21,958,297

APPROVED BY THE BOARD:

_____ Director

_____ Director

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016

	2016 \$	2015 \$
Cash flows from operating activities:		
Excess of revenue over expenditures for year	233,979	14,195
Items not involving cash:		
Amortization	1,934	
Change in fair value of investments (note 5)	457,472	(756,266)
	693,385	(742,071)
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	(1,864)	(6,815)
Prepaid expenses	(460)	174
Accounts payable and accrued liabilities	5,801	16,282
Deferred revenue	(6,700)	3,600
	690,162	(728,830)
Cash flows from investment activities:		
Purchase of investments	(10,700,086)	(1,687,974)
Proceeds of sale of investments	8,122,523	1,027,950
Additions to capital assets		(5,246)
	(2,577,563)	(665,270)
Net decrease in cash	(1,887,401)	(1,394,100)
Cash, beginning of year	7,493,684	8,887,784
Cash, end of year	5,606,283	7,493,684

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2016

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.

(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.

EXPLANATORY FINANCIAL NOTES

YEAR ENDED MARCH 31, 2016

2. Summary of Significant Accounting Policies (Continued)

(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

One-half of the annual rate is provided in the year of acquisition and no amortization is provided in the year of disposal.

(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 \$3,251,465 (\$817,734 in 2015) held in investment accounts earning interest at nominal rates.

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2016

	2016 \$	2015 \$
4. Accounts Receivable		
HST receivable	40,045	38,181
Accrued interest	71,675	71,675
	111,720	109,856
5. Investment Income		
Interest and dividends	469,616	530,632
Change in fair value of investments	(457,472)	756,266
Investment management fees	(49,322)	(44,797)
Total investment income (loss)	(37,178)	1,242,101
6. Investments		
Bonds effective interest rates between 1.62% and 10.80%, maturing between April 2016 and November 2042	11,818,289	9,023,913
Equities	4,643,821	5,318,107
	16,462,110	14,342,020
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.		
7. Capital Assets		
Cost		
Computer hardware	9,632	9,632
Donor wall	54,855	54,855
Furniture and equipment	5,177	5,177
	69,664	69,664
Accumulated amortization		
Computer hardware	9,632	9,632
Donor wall	48,972	47,038
Furniture and equipment	5,177	5,177
	63,781	61,847
Net Book Value	5,883	7,817

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2016

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 \$585,230 (\$552,964 in 2015) 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 \$52,615 (\$44,022 in 2015) was included in accounts payable at March 31, 2016.

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 (note 6).

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2016

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 \$375,416 (\$544,939 in 2015). 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.