

**CAMBRIDGE MEMORIAL
HOSPITAL FOUNDATION**

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019**

MARCH 31, 2019
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INDEPENDENT AUDITORS' REPORT

To the Members of
Cambridge Memorial Hospital Foundation

Qualified Opinion

We have audited the accompanying financial statements of **Cambridge Memorial Hospital Foundation** (the Foundation), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and changes in fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the 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 Foundation as at March 31, 2019, and its financial performance 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 charitable 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 (deficiency) of revenue over expenditure, assets and fund balances.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance 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 the Board of Directors 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.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 auditors' 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 auditors' 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.

A handwritten signature in black ink that reads "Graham Mathew Professional Corporation". The signature is written in a cursive, flowing style.

Cambridge, Ontario
May 21, 2019

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, 2019

	UNRESTRICTED FUNDS		RESTRICTED FUNDS				2019 \$	2018 \$
	General \$	Contingency \$	Program \$	Equipment \$	Transformation CMH \$	Endowment \$		
Revenue								
Annual giving	379,397		37,065	35,290	186,301		638,053	638,519
Major gifts	64,445		69,750	14,815	2,856,096		3,005,106	2,305,719
Planned giving	114,390	10,000	15,000	5,000		220,617	365,007	458,650
Special events	42,802		199,616	55,940	111,634		409,992	598,747
	601,034	10,000	321,431	111,045	3,154,031	220,617	4,418,158	4,001,635
Expenditures								
Annual giving	96,320		84		66,036		162,440	156,482
Major gifts	211		438		51,159		51,808	82,312
Planned giving	4,136						4,136	6,946
Special events	9,670		42,519	33,090	4,271		89,550	147,631
Human resources	664,447						664,447	689,989
Administration	349,801		13		30,084		379,898	295,938
	1,124,585		43,054	33,090	151,550		1,352,279	1,379,298
Excess (deficiency) of revenue over expenditures before other items	(523,551)	10,000	278,377	77,955	3,002,481	220,617	3,065,879	2,622,337
Other items								
Grants to Cambridge Memorial Hospital	(12,868)		(58,328)	(66,256)	(9,337,677)	(1,500)	(9,476,629)	(1,093,843)
Investment income (note 5)	17,692	49,886	28,834	4,091	214,245	17,826	332,574	196,174
	4,824	49,886	(29,494)	(62,165)	(9,123,432)	16,326	(9,144,055)	(897,669)
Excess (deficiency) of revenue over expenditures for year	(518,727)	59,886	248,883	15,790	(6,120,951)	236,943	(6,078,176)	1,724,668
Fund balances, beginning of year	783,843	1,924,375	1,006,984	151,823	11,446,028	578,713	15,891,766	14,167,098
Fund balances, end of year	265,116	1,984,261	1,255,867	167,613	5,325,077	815,656	9,813,590	15,891,766

**FINANCIAL POSITION
MARCH 31, 2019**

	2019	2018
	\$	\$
ASSETS		
Cash (note 3)	9,056,043	13,792,877
Accounts receivable (note 4)	90,679	90,240
Prepaid expenses	21,678	12,345
Investments (note 6)	780,996	2,133,090
Capital assets (note 7)	9,405	9,394
	9,958,801	16,037,946
LIABILITIES		
Accounts payable and accrued liabilities (note 8)	125,461	146,180
Deferred revenue	19,750	
	145,211	146,180
FUND BALANCES		
Externally restricted	815,656	578,713
Internally restricted	6,748,557	12,604,835
Unrestricted	2,249,377	2,708,218
	9,813,590	15,891,766
	9,958,801	16,037,946

APPROVED BY THE BOARD:

_____ Director

_____ Director

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2019

	2019 \$	2018 \$
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditures for year	(6,078,176)	1,724,668
Items not involving cash:		
Amortization	2,732	3,647
Change in fair value of investments (note 5)	(13,089)	(7,589)
	(6,088,533)	1,720,726
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	(439)	(22,814)
Prepaid expenses	(9,333)	(7,047)
Accounts payable and accrued liabilities	(20,719)	55,612
Deferred revenue	19,750	(1,800)
	(6,099,274)	1,744,677
Cash flows from investment activities:		
Purchase of investments	(1,005,287)	(3,010,066)
Proceeds of sale of investments	2,370,470	6,285,111
Additions to capital assets	(2,743)	(7,811)
	1,362,440	3,267,234
Net increase (decrease) in cash	(4,736,834)	5,011,911
Cash, beginning of year	13,792,877	8,780,966
Cash, end of year	9,056,043	13,792,877

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2019

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 granted.

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2019

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 prime minus 1.75%. Also included in cash is \$102,440 (\$477,797 in 2018) held in investment accounts earning interest at varying rates approximating 1.25%.

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2019

	2019 \$	2018 \$
4. Accounts Receivable		
HST receivable	52,971	60,597
Accrued interest	37,708	29,643
	90,679	90,240
5. Investment Income		
Interest and dividends	324,068	213,530
Change in fair value of investments	13,089	7,589
Investment management fees	(4,582)	(24,945)
Total investment income	332,575	196,174
6. Investments		
Fixed income securities with effective interest rates between 1.63% and 3.23%, maturing between April 2019 and August 2021	550,000	2,009,562
Equities	230,996	123,528
	780,996	2,133,090
<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>		
7. Capital Assets		
Cost		
Computer hardware	11,003	9,868
Donor wall	54,855	54,855
Furniture and equipment	12,573	10,965
	78,431	75,688
Accumulated amortization		
Computer hardware	6,957	5,905
Donor wall	54,855	54,855
Furniture and equipment	7,214	5,534
	69,026	66,294
Net Book Value	9,405	9,394

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 \$614,660 (\$562,772 in 2018) 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 \$60,644 (\$52,948 in 2018) was included in accounts payable at March 31, 2019.

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

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.

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 \$59,902 (\$94,636 in 2018). 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 optimising the return.