

**CAMBRIDGE MEMORIAL
HOSPITAL FOUNDATION**

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021**

**MARCH 31, 2021
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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, 2021, and the statements of operations, 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, 2021, 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 expenditures, 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.

Carolan Mathew Professional Corporation

Cambridge, Ontario
May 25, 2021

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

FOUNDATION

**STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2021**

	UNRESTRICTED FUNDS			RESTRICTED FUNDS					2021	2020
	General	Contingency	Program	Equipment	CMH Transformation	Preparedness	Endowment			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Revenue										
Annual giving	587,106		53,906	328,370	25,034			994,416	567,270	
Major gifts	1,612,972		97,103	507,000	385,676		20,000	2,622,751	5,404,979	
Planned giving	173,844							173,844	327,922	
Special events	183,701		54,862	54,865	230			293,658	524,830	
Lottery proceeds			54,950					54,950		
	2,557,623		205,871	945,185	410,940		20,000	4,139,619	6,825,001	
Expenditures										
Annual giving	157,937			8,181	2,527			168,645	142,448	
Major gifts	9,710				27,026			36,736	43,420	
Planned giving	904							904	3,692	
Special events	23,447		5,928	32,294	96			61,765	161,533	
Lottery expenses				36,315				36,315		
Human resources	845,360							845,360	782,880	
Administration	90,856				17,540			108,396	155,181	
	1,128,214		5,928	76,790	47,189			1,258,121	1,289,154	
Excess of revenue over expenditures before other items	1,429,409		199,943	868,395	363,751		20,000	2,881,498	5,535,847	
Other items										
Grants to Cambridge Memorial Hospital	(28,822)		(1,251,423)	(101,759)	(1,961,517)	(1,743,849)	(149,238)	(5,236,608)	(484,308)	
Investment income (note 5)	168,106					2,270		170,376	220,450	
Wage subsidies	282,063							282,063		
	421,347		(1,251,423)	(101,759)	(1,961,517)	(1,741,579)	(149,238)	(4,784,169)	(263,858)	
Excess (deficiency) of revenue over expenditures for year	1,850,756	NIL	(1,051,480)	766,636	(1,597,766)	(1,741,579)	(129,238)	(1,902,671)	5,271,989	

FOUNDATION

**STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2021**

	UNRESTRICTED FUNDS		RESTRICTED FUNDS					2020	2021	2020	2021
	General	Contingency	Program	Equipment	CMH Transformation	Preparedness	Endowment				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Fund balances, beginning of year	47,577	1,984,261	1,442,352	1,662,328	7,344,117	1,741,579	863,369	15,085,583	9,813,594		
Excess (deficiency) of revenue over expenditures for year	1,850,756	(1,051,480)	766,636	(1,597,766)	(1,741,579)	(129,238)	(1,902,671)	5,271,989			
Interfund transfer (note 9)	1,898,333	1,984,261	390,872	2,428,964	5,746,351	734,131	13,182,912	15,085,583			
	1,984,261	(1,984,261)									
Fund balances, end of year	3,882,594	NIL	390,872	2,428,964	5,746,351	734,131	13,182,912	15,085,583	15,085,583		

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021

	2021	2020
	\$	\$
ASSETS		
Cash (note 3)	12,475,698	14,411,733
Accounts receivable (note 4)	41,861	62,961
Prepaid expenses	16,868	5,302
Investments (note 6)	832,356	743,081
Capital assets (note 7)	7,572	8,696
	13,374,355	15,231,773
LIABILITIES		
Accounts payable and accrued liabilities (note 8)	188,943	146,194
Deferred revenue	2,500	
	191,443	146,194
FUND BALANCES		
Externally restricted	734,131	2,604,948
Internally restricted	8,566,187	10,448,797
Unrestricted	3,882,594	2,031,834
	13,182,912	15,085,579
	13,374,355	15,231,773

APPROVED BY THE BOARD:

_____ Director

_____ Director

FOUNDATION

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2021

	2021 \$	2020 \$
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditures for year	(1,902,671)	5,271,989
Items not involving cash:		
Amortization	10,000	2,395
Change in fair value of investments (note 5)	(63,285)	29,861
	(1,955,956)	5,304,245
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	21,100	27,718
Prepaid expenses	(11,566)	16,376
Accounts payable and accrued liabilities	42,749	20,733
Deferred revenue	2,500	(19,750)
	(1,901,173)	5,349,322
Cash flows from investment activities:		
Purchase of investments	(597,740)	(352,671)
Proceeds of sale of investments	571,754	360,725
Additions to capital assets	(8,876)	(1,686)
	(34,862)	6,368
Net increase (decrease) in cash	(1,936,035)	5,355,690
Cash, beginning of year	14,411,733	9,056,043
Cash, end of year	12,475,698	14,411,733

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2021

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.

(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. Government wage assistance is recorded in the period in which the related expenditures are incurred.

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, 2021

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
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 \$118,917 (\$127,272 in 2020) held in investment accounts earning interest at varying rates approximating 0.25%.

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2021

	2021	2020
	\$	\$
4. Accounts Receivable		
HST receivable	28,410	37,450
Accrued interest	13,451	25,511
	41,861	62,961
5. Investment Income		
Interest and dividends	111,342	254,516
Change in fair value of investments	63,285	(29,861)
Investment management fees	(4,251)	(4,205)
	170,376	220,450
6. Investments		
Fixed income securities with effective interest rates between 1.00% and 3.23%, maturing between April 2021 and August 2022	561,811	550,000
Equities	270,545	193,081
	832,356	743,081
<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	17,264	11,003
Furniture and equipment	14,259	14,259
	31,523	25,262
Accumulated amortization		
Computer hardware	11,347	7,336
Furniture and equipment	12,604	9,230
	23,951	16,566
Net Book Value	7,572	8,696

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2021

8. Accounts Payable and Accrued Liabilities

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

9. Interfund Transfer

Pursuant to the adoption of a motion by the board of directors of The Cambridge Memorial Hospital Foundation at a meeting on May 26, 2020, the contingency fund was to be consolidated with the General Fund, effective April 1, 2020.

10. 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 \$828,133 (\$716,751 in 2020) 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 \$70,721 (\$63,636 in 2020) was included in accounts payable at March 31, 2021.

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

11. 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.

12. Commitment

The foundation has made a commitment to make payments to Cambridge Memorial Hospital of \$912,500 in each of the three quarters subsequent to the year-end.

13. 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.

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 \$95,754 (\$54,511 in 2020). 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.

14. Uncertainty Regarding COVID-19

As the COVID-19 pandemic continues to impact the economy, it could result in a significant negative impact on the Foundation's operations. As of the time of authorization of these financial statements, it is not possible to estimate the length and severity of these developments and their impact on the financial results and operations of the Foundation.