

**CAMBRIDGE MEMORIAL
HOSPITAL FOUNDATION**

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023**

MARCH 31, 2023
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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, 2023, 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, 2023, 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.



Cambridge, Ontario
May 30, 2023

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

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2023

	<u>UNRESTRICTED FUNDS</u>		<u>RESTRICTED FUNDS</u>				2023	2022
	General	Program	Equipment	CMH Transformation	Health & Wellness	Endowment		
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Annual giving	582,371	59,981	76,710	3,177		650	722,889	765,390
Major gifts	528,522	201,850	875,858	153,702		10,000	1,769,932	2,761,645
Planned giving	905,731						905,731	1,680,550
Special events	258,201	101,215	252,986	27,500			639,902	173,534
Lottery proceeds								133,350
	2,274,825	363,046	1,205,554	184,379		10,650	4,038,454	5,514,469
Expenditures								
Annual giving	145,211						145,211	146,003
Major gifts	45,824		16,655				62,479	44,624
Planned giving	6,723						6,723	8,653
Special events	164,854	4,337	29,736				198,927	56,789
Lottery expenses								111,445
Human resources	949,478						949,478	835,354
Administration	148,893		1,076				149,969	115,622
	1,460,983	4,337	47,467				1,512,787	1,318,490
Excess of revenue over expenditures before other items	813,842	358,709	1,158,087	184,379		10,650	2,525,667	4,195,979
Other items								
Grants to Cambridge Memorial Hospital	(2,144,039)	(75,332)	(1,128,551)	(2,612,954)	(128,024)		(6,088,900)	(4,580,806)
Investment income (note 5)	232,122						232,122	123,700
Wage subsidies								77,863
	(1,911,917)	(75,332)	(1,128,551)	(2,612,954)	(128,024)		(5,856,778)	(4,379,243)
Excess (deficiency) of revenue over expenditures for year	(1,098,075)	283,377	29,536	(2,428,575)	(128,024)	10,650	(3,331,111)	(183,264)



STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2023

	UNRESTRICTED FUNDS		RESTRICTED FUNDS				2023	2022
	General	Program	Equipment	CMIH Transformation	Health & Wellness	Endowment		
	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	6,109,791	621,466	2,032,541	2,477,862	994,314	763,674	12,999,648	13,182,912
Excess (deficiency) of revenue over expenditures for year	(1,098,075)	283,377	29,536	(2,428,575)	(128,024)	10,650	(3,331,111)	(183,264)
Interfund transfer	5,011,716 (12,063)	904,843	2,062,077 20,000	49,287	866,290	774,324 (7,937)	9,668,537	12,999,648
Fund balances, end of year	4,999,653	904,843	2,082,077	49,287	866,290	766,387	9,668,537	12,999,648

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023

	2023 \$	2022 \$
ASSETS		
Cash (note 3)	4,473,180	9,583,529
Accounts receivable (note 4)	84,466	43,694
Prepaid expenses	11,262	10,216
Investments (note 6)	5,272,388	3,523,290
Capital assets (note 7)	11,755	7,525
	9,853,051	13,168,254
LIABILITIES		
Accounts payable and accrued liabilities (note 8)	184,514	168,606
FUND BALANCES		
Externally restricted	766,387	763,674
Internally restricted	3,902,497	6,126,183
Unrestricted	4,999,653	6,109,791
	9,668,537	12,999,648
	9,853,051	13,168,254

APPROVED BY THE BOARD:

_____ Director

_____ Director

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2023

	2023 \$	2022 \$
Cash flows from operating activities:		
Deficiency of revenue over expenditures for year	(3,331,111)	(183,264)
Items not involving cash:		
Amortization	8,319	5,132
Change in fair value of investments (note 5)	33,299	(94,026)
	(3,289,493)	(272,158)
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	(40,772)	(1,833)
Prepaid expenses	(1,046)	6,652
Accounts payable and accrued liabilities	15,908	(20,337)
Deferred revenue		(2,500)
	(3,315,403)	(290,176)
Cash flows from investment activities:		
Purchase of investments	(4,759,035)	(6,007,207)
Proceeds of sale of investments	2,976,638	3,410,299
Additions to capital assets	(12,549)	(5,085)
	(1,794,946)	(2,601,993)
Net decrease in cash	(5,110,349)	(2,892,169)
Cash, beginning of year	9,583,529	12,475,698
Cash, end of year	4,473,180	9,583,529

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2023

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.

The Foundation follows the restricted fund method of accounting for contributions whereby externally restricted contributions are recorded in the fund corresponding to the purpose for which they were contributed. Where there is no appropriate restricted fund, restricted contributions are recorded under the deferred method in the general unrestricted fund. Unrestricted donations are recorded as revenue of the general unrestricted fund. 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, 2023

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 2.0%. Also included in cash is \$1,281,379 (\$2,985,093 in 2022) held in investment accounts earning interest at varying rates approximating 3.25%.

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2023

	2023 \$	2022 \$
4. Accounts Receivable		
HST receivable	44,672	28,641
Accrued interest	39,794	15,053
	84,466	43,694
5. Investment Income		
Interest and dividends	295,399	38,713
Change in fair value of investments	(33,299)	94,026
Investment management fees	(29,978)	(9,039)
Total investment income	232,122	123,700
6. Investments		
Fixed income securities with effective interest rates between 1.16% and 5.30%, maturing between May 2023 and July 2025	4,464,678	2,594,477
Equities	795,970	874,194
Mutual Funds	11,740	54,619
	5,272,388	3,523,290
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	23,464	18,381
Furniture and equipment	23,078	15,612
	46,542	33,993
Accumulated amortization		
Computer hardware	18,831	12,934
Furniture and equipment	15,956	13,534
	34,787	26,468
Net Book Value	11,755	7,525

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2023

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 \$952,561 (\$836,752 in 2022) 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 \$85,286 (\$65,595 in 2022) was included in accounts payable at March 31, 2023.

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. Commitment

The Foundation has made a commitment to make payments to Cambridge Memorial Hospital of \$500,000 in each of the three quarters subsequent to the year-end.

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2023

12. 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 \$322,654 (\$334,501 in 2022). 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.