

**CAMBRIDGE MEMORIAL
HOSPITAL FOUNDATION**

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

MARCH 31, 2018
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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, 2018, 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, 2018, 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 15, 2018

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, 2018

	UNRESTRICTED FUNDS		RESTRICTED FUNDS				2018 \$	2017 \$
	General \$	Contingency \$	Program \$	Equipment \$	Transformation CMH \$	Endowment \$		
Revenue								
Annual giving	378,617		94,310	5,170	160,197	225	638,519	666,017
Major gifts	102,491		305,190	21,129	1,876,909		2,305,719	1,294,727
Planned giving	458,650						458,650	422,707
Special events	39,423		233,344	149,183	176,797		598,747	566,060
	979,181		632,844	175,482	2,213,903	225	4,001,635	2,949,511
Expenditures								
Annual giving	87,685		24,982		43,815		156,482	119,724
Major gifts	3,113				79,199		82,312	81,953
Planned giving	6,946						6,946	14,016
Special events	17,443		45,410	71,907	12,871		147,631	191,020
Human resources	689,281						689,281	666,505
Administration	296,646						296,646	118,191
	1,101,114		70,392	71,907	135,885		1,379,298	1,191,409
Excess (deficiency) of revenue over expenditures before other items	(121,933)		562,452	103,575	2,078,018	225	2,622,337	1,758,102
Other items								
Grants to Cambridge Memorial Hospital	(39,419)		(251,056)	(125,169)	(678,199)		(1,093,843)	(10,188,822)
Investment income (note 5)	12,340	24,796	10,966	2,099	138,499	7,474	196,174	483,771
	(27,079)	24,796	(240,090)	(123,070)	(539,700)	7,474	(897,669)	(9,705,051)
Excess (deficiency) of revenue over expenditures for year	(149,012)	24,796	322,362	(19,495)	1,538,318	7,699	1,724,668	(7,946,949)
Fund balances, beginning of year	932,855	1,899,579	684,622	171,318	9,907,710	571,014	14,167,098	22,114,047
Fund balances, end of year	783,843	1,924,375	1,006,984	151,823	11,446,028	578,713	15,891,766	14,167,098

**FINANCIAL POSITION
MARCH 31, 2018**

	2018	2017
	\$	\$
ASSETS		
Cash (note 3)	13,792,877	8,780,966
Accounts receivable (note 4)	90,240	67,426
Prepaid expenses	12,345	5,298
Investments (note 6)	2,133,090	5,400,547
Capital assets (note 7)	9,394	5,230
	16,037,946	14,259,467
LIABILITIES		
Accounts payable and accrued liabilities (note 8)	146,180	90,569
Deferred revenue		1,800
	146,180	92,369
FUND BALANCES		
Externally restricted	578,713	571,014
Internally restricted	12,604,835	10,763,650
Unrestricted	2,708,218	2,832,434
	15,891,766	14,167,098
	16,037,946	14,259,467

APPROVED BY THE BOARD:

_____ Director

_____ Director

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2018

	2018 \$	2017 \$
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditures for year	1,724,668	(7,946,949)
Items not involving cash:		
Amortization	3,647	8,498
Change in fair value of investments (note 5)	(7,589)	(302,890)
	1,720,726	(8,241,341)
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	(22,814)	44,294
Prepaid expenses	(7,047)	82
Accounts payable and accrued liabilities	55,612	13,741
Deferred revenue	(1,800)	1,300
	1,744,677	(8,181,924)
Cash flows from investment activities:		
Purchase of investments	(3,010,066)	(5,767,399)
Proceeds of sale of investments	6,285,111	17,131,851
Additions to capital assets	(7,811)	(7,845)
	3,267,234	11,356,607
Net increase in cash	5,011,911	3,174,683
Cash, beginning of year	8,780,966	5,606,283
Cash, end of year	13,792,877	8,780,966

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2018

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, 2018

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 \$477,797 (\$381,573 in 2017) held in investment accounts earning interest at varying rates approximating 1.25%.

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2018

	2018 \$	2017 \$
4. Accounts Receivable		
HST receivable	60,597	43,786
Accrued interest	29,643	23,640
	90,240	67,426
5. Investment Income		
Interest and dividends	213,530	229,265
Change in fair value of investments	7,589	302,890
Investment management fees	(24,945)	(48,384)
Total investment income	196,174	483,771
6. Investments		
Fixed income securities with effective interest rates between 1.45% and 2.25%, maturing between June 2018 and August 2019	2,009,562	4,594,199
Equities	123,528	806,348
	2,133,090	5,400,547
<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	9,868	7,845
Donor wall	54,855	54,855
Furniture and equipment	10,965	5,177
	75,688	67,877
Accumulated amortization		
Computer hardware	5,905	2,615
Donor wall	54,855	54,855
Furniture and equipment	5,534	5,177
	66,294	62,647
Net Book Value	9,394	5,230

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2018

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 \$562,772 (\$586,812 in 2017) 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 \$52,948 (\$28,359 in 2017) was included in accounts payable at March 31, 2018.

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 \$94,636 (\$NIL in 2017). 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.