

**Strathroy Middlesex General
Hospital Foundation
Financial Statements
For the year ended March 31, 2015**

Strathroy Middlesex General Hospital Foundation
Financial Statements
For the year ended March 31, 2015

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Independent Auditor's Report

To the Board of Directors,
Strathroy Middlesex General Hospital Foundation

We have audited the accompanying financial statements of Strathroy Middlesex General Hospital Foundation, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in net assets and cash flow 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.

Auditor's 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 depends on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of donation revenue was limited to the amounts recorded in the records of the Foundation. We were unable to determine whether any adjustments might be necessary to contributions, excess of revenues over expenditures, assets or net assets.

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 the Foundation as at March 31, 2015, 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.

BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants
Strathroy, Ontario
June 12, 2015

Strathroy Middlesex General Hospital Foundation
Statement of Financial Position

March 31

2015

2014

Assets

Cash	\$ 332,300	\$ 152,563
Accounts receivable	75,141	70,233
Prepaid expenses	25,789	14,598
Unrestricted Investments (Note 3)	123,225	32,476
Eastman Endowment Fund (Note 4)	961,898	939,945
Sharpe Endowment Fund (Note 5)	173,584	163,854
Crowley/Doan Endowment Fund (Note 6)	165,942	156,501
Mary Trudell Endowment Fund (Note 7)	47,253	44,451
Mortgages receivable (Note 8)	43,634	63,447
Capital assets (Note 9)	144,954	167,807
	\$ 2,093,720	\$ 1,805,875

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 10)	\$ 44,534	\$ 42,182
Deferred revenue	-	7,583
	44,534	49,765

Net assets

2,049,186	1,756,110
\$ 2,093,720	\$ 1,805,875

On behalf of the Board:

R n Tyler Director

Inel Grantham Director

The accompanying notes are an integral part of these financial statements

Strathroy Middlesex General Hospital Foundation
Statement of Changes in Net Assets

For the years ended March 31	2015			2014
Net Assets	Endowment Funds (Notes 4, 5, 6, & 7)	Unrestricted	Total	Total
Balance, beginning of year	\$ 1,304,751	\$ 451,359	\$ 1,756,110	\$ 1,701,561
Excess of revenues over expenditures	43,926	249,150	293,076	54,549
Balance, end of year	\$ 1,348,677	\$ 700,509	\$ 2,049,186	\$ 1,756,110

The accompanying notes are an integral part of these financial statements

Strathroy Middlesex General Hospital Foundation
Statement of Operations

For the years ended March 31	2015	2014
Revenue		
Philanthropic revenue	\$ 1,539,217	\$ 1,036,112
Social enterprise revenue	334,777	353,236
Net investment revenue	50,124	84,159
Change in unrealized gain/loss on held-for-trading investments	3,265	18,885
	1,927,383	1,492,392
Operating expenditures		
Administration and office	56,277	74,891
Fundraising	64,207	88,059
Professional services	20,932	27,131
Salaries and benefits	378,690	359,508
Social enterprise	11,560	61,940
Travel, education and governance	16,006	23,556
	547,672	635,085
Excess of revenues over operating expenditures	1,379,711	857,307
Other Expenditures		
Amortization	22,729	28,485
Donations to Strathroy Middlesex General Hospital	1,063,906	774,273
	1,086,635	802,758
Excess of revenues over expenditures	\$ 293,076	\$ 54,549

The accompanying notes are an integral part of these financial statements

Strathroy Middlesex General Hospital Foundation
Statement of Cash Flow

For the years ended March 31	2015	2014
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenditures	\$ 293,076	\$ 54,549
Items not involving cash		
Amortization	22,729	28,485
Loss (gain) on disposal of investments	(7,876)	(26,709)
Change in unrealized gain on held-for trading investments	(3,265)	(18,885)
	<u>304,664</u>	<u>37,440</u>
Net changes in non-cash working capital balances:		
Accounts receivable	(4,908)	(16,325)
Prepaid expenses	(11,191)	(1,890)
Accounts payable and accrued liabilities	2,352	(59,626)
Deferred revenue	(7,583)	(68,100)
	<u>283,334</u>	<u>(108,501)</u>
Investing activities		
Purchase of capital assets	124	(5,233)
Payments received on mortgages receivable	19,813	18,586
Purchase of investments	(108,701)	(131,897)
Proceeds from disposal of investments	110,966	362,962
	<u>22,202</u>	<u>244,418</u>
Increase in cash and equivalents during the year	305,536	135,917
Cash, beginning of year	<u>379,353</u>	<u>243,436</u>
Cash, end of year	\$ 684,889	\$ 379,353
Represented by		
Cash	\$ 332,300	\$ 152,563
General Fund cash	-	1,698
Eastman Endowment Fund cash	340,019	223,835
Sharpe Endowment Fund cash	5,646	570
Crowley/Doan Endowment Fund cash	5,417	532
Mary Trudell Endowment Fund cash	1,507	155
	<u>\$ 684,889</u>	<u>\$ 379,353</u>

The accompanying notes are an integral part of these financial statements

Strathroy Middlesex General Hospital Foundation

Notes to the Financial Statements

March 31, 2015

1. Summary of significant accounting policies

Nature of Organization

The Strathroy Middlesex General Hospital Foundation, a non-profit charitable organization within the meaning of the Income Tax Act (Canada) was incorporated in Ontario without share capital on July 25, 1988. The Foundation generates revenue through fund raising and management of its investments to enhance or improve the services provided by or the facilities of Strathroy Middlesex General Hospital.

The organization is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

The financial statements have been prepared by management using Canadian Accounting Standards for Not-for-Profit Organizations.

Revenue Recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue from investments is recognized as it is earned.

Pledges and Bequests

The Foundation does not record pledges or bequest receivables, as collection cannot be reasonably assured.

Contributed Materials and Services

Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Life Insurance Premiums

The Foundation records life insurance premiums as revenue and a corresponding expense in the year incurred.

Capital Assets

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives.

Computer equipment	3 years
Furniture	5 years

Strathroy Middlesex General Hospital Foundation

Notes to the Financial Statements

March 31, 2015

1. Summary of significant accounting policies (continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items re-measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Change in Accounting Policy

Effective April 1, 2014, the Organization changed its accounting policy for contributed materials. The organization will no longer recognize contributed materials in their financial statements due to the difficulty in reasonably estimating their fair value. This change has been applied retrospectively, thus the comparative amounts for philanthropic revenue and donated services and material expense have been reduced by \$34,243.

Strathroy Middlesex General Hospital Foundation
Notes to the Financial Statements

March 31, 2015

3. Unrestricted Investments

The book values and estimated fair values of investments as at March 31 were as follows:

	2015		2014	
	Cost Value	Estimated Fair value	Cost Value	Estimated Fair value
Investments				
Cash and equivalents	\$ -	\$ -	\$ 1,698	\$ 1,698
Equities	117,876	123,225	24,816	30,778
	\$ 117,876	\$ 123,225	\$ 26,514	\$ 32,476

4. Eastman Endowment Fund

The Eastman Endowment Fund consists of a bequest from the Estate of Harold and Gladys Eastman. Income from the Endowment Fund may be used by the Foundation at the discretion of the Board of Directors for its charitable purposes. Income from the Eastman Endowment Fund has been included in net investment income on the statement of operations. The Eastman Endowment Fund is presented at fair value on the statement of financial position, which approximates the cost of the endowment. The book values and estimated fair values of investments as at March 31 were as follows:

	2015		2014	
	Cost Value	Estimated Fair value	Cost Value	Estimated Fair value
Investments				
Cash and equivalents	\$ 340,019	\$ 340,019	\$ 223,835	\$ 223,835
Fixed income	277,164	285,709	427,279	432,318
Equities	336,170	336,170	271,026	283,792
	953,353	961,898	922,140	939,945

The GICs pay average interest at the rate of 2.8% (2014 - 3.0%) and mature from March 2016 through March 2018.

Strathroy Middlesex General Hospital Foundation
Notes to Financial Statements

March 31, 2015

5. Sharpe Endowment Fund

Income from the Sharpe Endowment Fund is to be used to purchase patient care equipment, and has been included in net investment income on the statement of operations. The book values and estimated fair values of investments as at March 31 were as follows:

	2015		2014	
	Cost Value	Estimated Fair value	Cost Value	Estimated Fair value
Investments				
Cash and equivalents	\$ 5,646	\$ 5,646	\$ 570	\$ 570
Fixed income	81,862	84,779	81,862	81,143
Equities	65,256	83,159	62,256	82,141
	\$ 152,764	\$ 173,584	\$ 144,688	\$ 163,854

6. Crowley/Doan Endowment Fund

Income from the Crowley/Doan Endowment Fund is to be used to fund the education and recruitment of medical professionals, and has been included in net investment income on the statement of operations. The book values and estimated fair values of investments as at March 31 were as follows:

	2015		2014	
	Cost Value	Estimated Fair value	Cost Value	Estimated Fair value
Investments				
Cash and equivalents	\$ 5,417	\$ 5,417	\$ 532	\$ 532
Fixed income	75,869	78,670	75,869	75,241
Equities	64,127	81,855	64,127	80,728
	\$ 145,413	\$ 165,942	\$ 140,528	\$ 156,501

Strathroy Middlesex General Hospital Foundation
Notes to Financial Statements

March 31, 2015

7. Mary Trudell Endowment Fund

Income from the Mary Trudell Endowment Fund is to be used for breast health education, and has been included in net investment income on the statement of operations. The book values and estimated fair values of investments as at March 31 were as follows:

	2015		2014	
	Cost Value	Estimated Fair value	Cost Value	Estimated Fair value
Investments				
Cash and equivalents	\$ 1,507	\$ 1,507	\$ 155	\$ 155
Fixed income	24,417	25,090	24,417	24,015
Equities	15,965	20,656	15,965	20,281
	<u>\$ 41,889</u>	<u>\$ 47,253</u>	<u>\$ 40,537</u>	<u>44,451</u>

8. Mortgages Receivable

	2015	2014
\$43,200 mortgage receivable, 0%, due December 2016, principal, due annually of \$14,400	\$ 26,181	\$ 38,068
\$28,800 mortgage receivable, 0%, due December 2016, principal, due annually of \$9,600	17,453	25,379
	<u>\$ 43,634</u>	<u>\$ 63,447</u>

The mortgages are secured by first recourse to the related underlying property. The fair value of the mortgages are calculated by discounting scheduled cash flows through maturity, using estimated market discount rates that reflect the credit and interest rate risk inherent in the mortgages, less costs of disposition.

Strathroy Middlesex General Hospital Foundation
Notes to Financial Statements

March 31, 2015

9. Capital Assets

	2015		2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 98,445	\$ -	\$ 98,445	\$ -
Computer equipment	115,699	114,485	115,699	109,644
Furniture	103,265	57,970	103,389	40,082
	\$ 317,409	\$ 172,455	\$ 317,533	\$ 149,726
 Net book value		\$ 144,954		\$ 167,807

10. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is \$17,098 (2014 - \$6,579) in government remittances payable.

11. Pledges Receivable

The Foundation has pledges receivable in the amount of \$1,546,159 (2014 - \$1,732,514) at the end of the year. These pledges consist of signed agreements to donate specific amounts over an agreed upon timeframe. Pledges receivable have not been reflected in the financial statements as collection of them cannot be reasonably assured.

Expected collection of pledges receivable for the next five years and thereafter is as follows:

Year	Amount
2016	\$ 833,585
2017	105,466
2018	187,442
2019	181,458
2020	68,188
Thereafter	170,020
	\$ 1,546,159

Strathroy Middlesex General Hospital Foundation

Notes to Financial Statements

March 31, 2015

12. Pension Plan

Substantially all of the full-time employees are members of the Healthcare of Ontario Pension Plan. Contributions to the plan made during the year by the foundation on behalf of these employees amounted to \$22,530 (2014 - \$18,419) and are included in salaries and benefits in the statement of operations.

13. Related Party Transactions

Strathroy Middlesex General Hospital exercises significant influence over Strathroy Middlesex General Hospital Foundation by virtue of its ability to appoint some of the Foundation's directors of the board.

Strathroy Middlesex Hospital Foundation maintains an office in premises owned by Strathroy Middlesex General Hospital at an annual rental of \$10,238 (2014 - \$10,289). The rent expense is included in administration and office expense on the statement of operations.

During the year, \$38,911 (2014 - \$40,000) was paid to Strathroy Middlesex General Hospital for parking lot maintenance. The parking lot maintenance is included in social enterprise expense on the statement of operations.

14. Financial Instrument Risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

Liquidity risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities.

Strathroy Middlesex General Hospital Foundation
Notes to Financial Statements

March 31, 2015

15. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

