

**Strathroy Middlesex General
Hospital Foundation
Financial Statements
For the year ended March 31, 2019**

Strathroy Middlesex General Hospital Foundation
Financial Statements
For the year ended March 31, 2019

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Changes of Net Assets	5
Statement of Operations	6
Statement of Cash Flow	7
Notes to the Financial Statements	8



Tel: 519-245-1913
Fax: 519-245-5987
strathroy@bdo.ca
www.bdo.ca

BDO Canada LLP
425 Caradoc Street S
Unit E
Strathroy ON N7G 2P5 Canada

Independent Auditor's Report

To the Board of Directors,
Strathroy Middlesex General Hospital Foundation

Qualified Opinion

We have audited the accompanying financial statements of Strathroy Middlesex General Hospital Foundation (the Entity), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets 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 possible 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 Entity as at March 31, 2019, and its results of operations 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 not-for-profit organizations, the Entity derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity 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 audit 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 Entity'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 management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditor's 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 auditor's 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Entity 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Strathroy, Ontario
September 5, 2019

Strathroy Middlesex General Hospital Foundation
Statement of Financial Position

March 31 2019 2018

Assets

Cash	\$	319,047	\$	895,447
Accounts receivable (Note 2)		109,147		104,425
Prepaid expenses		1,350		6,785
Investments (Note 3)		1,262,782		1,735,395
Mortgages receivable (Note 9)		237,969		245,000
Investment in 2518153 Ontario Limited (Note 9)		6,141		5,896
Capital assets (Note 10)		120,635		137,694
		\$ 2,057,071		\$ 3,130,642

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 11)	\$	37,785	\$	824,806
Deferred revenue		15,820		11,750
		53,605		836,556

Net assets

Endowments (Notes 4, 5, 6, 7 and 8)	1,245,065	1,213,994
Unrestricted net assets	758,401	1,080,092
	2,003,466	2,294,086
	\$ 2,057,071	\$ 3,130,642

On behalf of the Board:

 Director

 Director

Strathroy Middlesex General Hospital Foundation
Statement of Changes in Net Assets

For the years ended March 31	2019			2018
Net Assets	Endowment (Notes 4, 5, 6, 7, & 8)	Unrestricted	Total	Total
Balance, beginning of year	\$ 1,213,994	\$ 1,080,092	\$ 2,294,086	\$ 2,440,401
Contributions	31,071	-	31,071	-
Deficiency of revenues over expenditures	-	(321,691)	(321,691)	(146,315)
Balance, end of year	\$ 1,245,065	\$ 758,401	\$ 2,003,466	\$ 2,294,086

Strathroy Middlesex General Hospital Foundation
Statement of Operations

For the years ended March 31	2019	2018
Revenue		
Philanthropic revenue	\$ 1,157,628	\$ 1,368,675
Social enterprise revenue	455,514	374,139
Interest income	26,136	20,500
Dividend income	23,635	22,101
Change in unrealized gain/loss on investments carried at fair value	880	(30,666)
Realized gain on investments	56,616	87,320
	1,720,409	1,842,069
Operating expenditures		
Administration and office	63,214	45,376
Fundraising	72,627	97,625
Professional services	37,654	22,253
Salaries and benefits	466,992	417,630
Social enterprise	149,672	18,907
Travel, education and governance	12,493	20,702
	802,652	622,493
Excess of revenues over operating expenditures	917,757	1,219,576
Other expenditures and board approved projects		
Parking service enhancements project	-	59,388
Capital campaign	46,456	68,135
Amortization	19,590	31,767
Donations to Strathroy Middlesex General Hospital	1,142,331	1,206,601
	1,208,377	1,365,891
Deficiency of revenues over expenditures	\$ (290,620)	\$ (146,315)

Strathroy Middlesex General Hospital Foundation

Statement of Cash Flow

For the years ended March 31	2019	2018
Cash provided by (used in)		
Operating activities		
Deficiency of revenues over expenditures	\$ (290,620)	\$ (146,315)
Items not involving cash		
Amortization	19,590	31,767
Investment income from wholly owned subsidiary accounted for under equity method	(4,745)	6,351
Realized gain on disposal of investments	(45,268)	(93,138)
Change in unrealized gain/loss on financial instruments carried at fair value	(880)	30,666
Realized gain/loss on foreign exchange	(11,348)	5,818
	<u>(333,271)</u>	<u>(164,851)</u>
Net changes in non-cash working capital balances:		
Accounts receivable	(4,722)	344,039
Prepaid expenses	5,435	(4,191)
Accounts payable and accrued liabilities	(787,021)	351,057
Deferred revenue	4,070	8,735
	<u>(1,115,509)</u>	<u>534,789</u>
Investing activities		
Advances from (to) related party	4,500	(12,148)
Purchase of capital assets	(2,530)	(7,997)
Payments received on mortgages receivable	7,031	-
Payments given on mortgages receivable	-	(245,000)
Purchase of short term investments	(832,240)	(1,262,915)
Proceeds from disposal of short term investments	1,362,348	1,137,241
Purchase of investment in 2518153 Ontario Limited	-	(100)
	<u>539,109</u>	<u>(390,819)</u>
(Decrease) increase in cash during the year	(576,400)	143,970
Cash, beginning of year	<u>895,447</u>	<u>751,477</u>
Cash, end of year	\$ 319,047	\$ 895,447

Strathroy Middlesex General Hospital Foundation

Notes to the Financial Statements

March 31, 2019

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.

Endowment Contributions The Foundation records endowment contributions as an increase in net assets.

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
Televisions	5 years

Strathroy Middlesex General Hospital Foundation

Notes to the Financial Statements

March 31, 2019

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 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.

Controlled Entities

Controlled profit-oriented enterprises are accounted for by the equity method in the Foundation's financial statements.

2. Accounts Receivable

Included in accounts receivable at March 31, 2019 is \$1,487 (2018 - \$6,457) in contributions receivable.

Strathroy Middlesex General Hospital Foundation

Notes to the Financial Statements

March 31, 2019

3. Investments

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

	2019		2018	
	Cost Value	Estimated Fair value	Cost Value	Estimated Fair value
Cash and equivalents	\$ 100,714	\$ 100,714	\$ 130,518	\$ 132,698
Fixed income	248,400	256,891	489,181	491,979
Equities and mutual funds	743,642	904,962	947,079	1,110,718
	\$ 1,092,756	\$ 1,262,567	\$ 1,566,778	\$ 1,735,395

4. Eastman Endowment

The Eastman Endowment consists of a bequest from the Estate of Harold and Gladys Eastman. Income from the Endowment may be used by the Foundation at the discretion of the Board of Directors for its charitable purposes. Income from the Eastman Endowment has been included in net investment income on the statement of operations. The balance of the Endowment at March 31, 2019 was \$919,095 (2018 - \$919,095). The increase reflected in net assets for the year ending March 31, 2019 related to this endowment was \$nil (2018 - \$nil).

5. Sharpe Endowment

Income from the Sharpe Endowment is to be used to purchase patient care equipment, and has been included in net investment income on the statement of operations. The balance of the Endowment at March 31, 2019 was \$127,500 (2018 - \$127,500). The increase reflected in net assets for the year ending March 31, 2019 related to this endowment was \$nil (2018 - \$nil).

6. Crowley/Doan Endowment

Income from the Crowley/Doan Endowment 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 balance of the endowment at March 31, 2019 was \$125,869 (2018 - \$125,629). The increase reflected in net assets for the year ending March 31, 2019 related to this endowment was \$240 (2018 - \$240).

Strathroy Middlesex General Hospital Foundation

Notes to Financial Statements

March 31, 2019

7. Mary Trudell Endowment

Income from the Mary Trudell Endowment is to be used for breast health education, and has been included in net investment income on the statement of operations. The balance of the Endowment at March 31, 2019 was \$41,770 (2018 - \$41,770). The increase reflected in net assets for the year ending March 31, 2019 related to this endowment was \$nil (2018 - \$nil).

8. Mary Wright Endowment

Income from the Mary Wright Endowment is to be used to fund bursaries for hospital staff and physicians pursuing continuing education, and has been included in net investment income on the statement of operations. The balance of the Endowment at March 31, 2019 was \$30,831 (2018 - \$nil). The increase reflected in net assets for the year ending March 31, 2019 related to this endowment was \$30,831 (2018 - \$nil).

9. Investment in Controlled Entity

The Foundation controls a wholly-owned subsidiary, 2518153 Ontario Inc. The corporation owns 420 Carrie Street, Strathroy, Ontario and rents the house located on the property residentially.

The investment in the controlled entity is composed of the following:

	<u>2019</u>	<u>2018</u>
Advances to 2518153 Ontario Inc.	7,648	12,148
Share capital	100	100
Accumulated deficit	(1,607)	(6,351)
	<u>\$ 6,141</u>	<u>\$ 5,897</u>

Strathroy Middlesex General Hospital Foundation

Notes to Financial Statements

March 31, 2019

9. Investment in Controlled Entity (Continued)

Financial summaries of unconsolidated 2518153 Ontario Inc. as at March 31, 2019 for the year then ended and March 31, 2018 for the period then ended are as follows:

Financial Position

	2019	2018
Total assets	<u>\$ 246,048</u>	<u>\$ 254,562</u>
Total liabilities	247,555	260,813
Total shareholder's deficit	<u>(1,507)</u>	<u>(6,251)</u>
	<u>\$ 246,048</u>	<u>\$ 254,562</u>

Results of Operations

	2019	2018
Total revenues	<u>\$ 18,052</u>	<u>\$ 1,501</u>
Total expenses	<u>(13,308)</u>	<u>(7,852)</u>
Net income (loss)	<u>\$ 4,744</u>	<u>\$ (6,351)</u>

Cash Flows

	2019	2018
Cash from operations	<u>\$ 8,459</u>	<u>\$ 350</u>
Cash used in financing activities	(11,531)	257,248
Cash used in investing activities	-	(251,767)
(Decrease) increase in cash	<u>\$ (3,072)</u>	<u>\$ 5,831</u>

The Foundation has a mortgage receivable due from 2518153 Ontario Inc. at the end of the year for \$237,969 (2018 - \$245,000). The note accrues interest at 2.69% and matures January 2022.

Expected principal repayments over the next three years are as follows:

Year	Amount
2020	\$ 5,631
2021	5,783
2022	<u>226,555</u>
	<u>\$ 237,969</u>

Strathroy Middlesex General Hospital Foundation Notes to Financial Statements

March 31, 2019

10. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 98,445	\$ -	\$ 98,445	\$ -
Computer equipment	160,233	151,843	158,081	137,823
Furniture	103,265	103,264	103,265	103,116
Televisions	27,296	13,497	26,918	8,076
	<u>\$ 389,239</u>	<u>\$ 268,604</u>	<u>\$ 386,709</u>	<u>\$ 249,015</u>
Net book value		<u>\$ 120,635</u>		<u>\$ 137,694</u>

11. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$17,820 (2018 - \$12,265) in government remittances payable.

12. Pledges Receivable

The Foundation has pledges receivable in the amount of \$1,777,111 (2018 - \$1,830,137) 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
2020	\$ 171,554
2021	295,096
2022	286,696
2023	188,865
2024	181,400
Thereafter	653,500
	<u>\$ 1,777,111</u>

Strathroy Middlesex General Hospital Foundation

Notes to Financial Statements

March 31, 2019

13. Pension Plan

Substantially all of the full-time employees are members of the Healthcare of Ontario Pension Plan (HOOPP), a multi-employer pension plan. HOOPP is a defined benefit plan that specifies the amount of retirement benefits to be received by the employees based on the length of service and rates of pay. There is not sufficient information available to use defined benefit accounting, therefore, the organization accounts for the plan as if it were a defined contribution plan. HOOPP reconciles contributions annually for the Foundation. As of March 31, 2019 the Foundation is not in a deficit for payments. Contributions to the plan made during the year by the Foundation on behalf of these employees amounted to \$31,672 (2018 - \$31,179) and are included in salaries and benefits in the statement of operations.

14. Related Party Transactions

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

Strathroy Middlesex Hospital Foundation maintains an office in premises owned by Strathroy Middlesex General Hospital at an annual rental of \$10,647 (2018 - \$10,647). The rent expense is included in administration and office expense on the statement of operations.

During the year, \$nil (2018 - \$57,472) was paid to Strathroy Middlesex General Hospital for parking lot maintenance.

Included in accounts payable is \$nil (2018 - \$772,111) due to Strathroy Middlesex General Hospital.

15. Financial Instrument Risk

Credit risk

Credit risk is the risk of financial loss to the Foundation if a debtor fails to make payments of interest and principal when due. The Foundation is exposed to this risk relating to its cash and accounts receivable.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the 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 Foundation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Strathroy Middlesex General Hospital Foundation Notes to Financial Statements

March 31, 2019

15. Financial Instrument Risk (Continued)

Liquidity risk

Liquidity risk is the risk that the Foundation encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Foundation 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.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.