

**Strathroy Middlesex General
Hospital Foundation
Financial Statements
For the year ended March 31, 2018**

Strathroy Middlesex General Hospital Foundation
Financial Statements
For the year ended March 31, 2018

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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, 2018, 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, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Strathroy, Ontario
June 20, 2018

Strathroy Middlesex General Hospital Foundation
Statement of Financial Position

March 31 2018 2017

Assets

Cash	\$ 895,447	\$ 751,477
Accounts receivable (Note 2)	104,425	448,464
Prepaid expenses	6,785	2,594
Investments (Note 3)	1,735,395	1,553,166
Mortgages receivable (Note 8)	245,000	-
Investment in 2518153 Ontario Limited (Note 8)	5,896	-
Capital assets (Note 9)	137,694	161,464
	\$ 3,130,642	\$ 2,917,165

Liabilities and Net Assets


Current

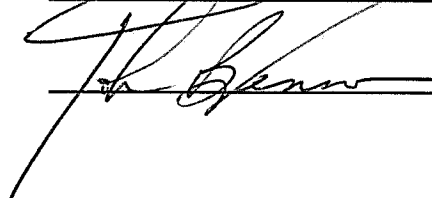
Accounts payable and accrued liabilities (Note 10)	\$ 824,806	\$ 473,749
Deferred revenue	11,750	3,015
	836,556	476,764

Net assets

Endowments (Notes 4, 5, 6 and 7)	1,551,017	1,430,019
Unrestricted net assets	743,069	1,010,382
	2,294,086	2,440,401
	\$ 3,130,642	\$ 2,917,165

On behalf of the Board:


 _____ Director


 _____ Director

Strathroy Middlesex General Hospital Foundation
Statement of Changes in Net Assets

For the years ended March 31	2018			2017
Net Assets	Endowment (Notes 4, 5, 6, & 7)	Unrestricted	Total	Total
Balance, beginning of year	\$ 1,430,019	\$ 1,010,382	\$ 2,440,401	\$ 2,189,555
Excess (deficiency) of revenues over expenditures	120,998	(267,313)	(146,315)	250,846
Balance, end of year	\$ 1,551,017	\$ 743,069	\$ 2,294,086	\$ 2,440,401

Strathroy Middlesex General Hospital Foundation

Statement of Operations

For the years ended March 31	2018	2017
Revenue		
Philanthropic revenue	\$ 1,368,675	\$ 1,522,929
Social enterprise revenue	374,139	367,133
Interest income	20,500	15,784
Dividend income	22,101	19,525
Change in unrealized gain/loss on investments carried at fair value	(30,666)	96,730
Realized gain on investments	87,320	23,206
	1,842,069	2,045,307
Operating expenditures		
Administration and office	45,376	47,005
Fundraising	97,625	108,848
Professional services	22,253	40,841
Salaries and benefits	417,630	385,742
Social enterprise	18,907	28,678
Travel, education and governance	20,702	15,461
	622,493	626,575
Excess of revenues over operating expenditures	1,219,576	1,418,732
Other expenditures and board approved projects		
Parking service enhancements project	59,388	10,921
Capital campaign	68,135	78,127
Amortization	31,767	30,801
Donations to Strathroy Middlesex General Hospital	1,206,601	1,048,037
	1,365,891	1,167,886
(Deficiency) excess of revenues over expenditures	\$ (146,315)	\$ 250,846

Strathroy Middlesex General Hospital Foundation

Statement of Cash Flow

For the years ended March 31	2018	2017
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenues over expenditures	\$ (146,315)	\$ 250,846
Items not involving cash		
Amortization	31,767	30,801
Investment income from wholly owned subsidiary accounted for under equity method	6,351	-
Realized gain on disposal of investments	(93,138)	(3,507)
Change in unrealized gain/loss on financial instruments carried at fair value	30,666	(96,730)
Realized gain/loss on foreign exchange	5,818	(19,699)
	<u>(164,851)</u>	161,711
Net changes in non-cash working capital balances:		
Accounts receivable	344,039	(374,105)
Prepaid expenses	(4,191)	6,375
Accounts payable and accrued liabilities	351,057	220,098
Deferred revenue	8,735	(18,970)
	<u>534,789</u>	(4,891)
Investing activities		
Advances to related party	(12,148)	-
Purchase of capital assets	(7,997)	(50,512)
Payments received on mortgages receivable	-	22,514
Payments given on mortgages receivable	(245,000)	-
Purchase of short term investments	(1,262,915)	(1,934,708)
Proceeds from disposal of short term investments	1,137,241	1,870,538
Purchase of investment in 2518153 Ontario Limited	(100)	-
	<u>(390,819)</u>	(92,168)
Increase (decrease) in cash during the year	143,970	(97,059)
Cash, beginning of year	<u>751,477</u>	<u>848,536</u>
Cash, end of year	<u>\$ 895,447</u>	<u>\$ 751,477</u>

Strathroy Middlesex General Hospital Foundation

Notes to the Financial Statements

March 31, 2018

1. Summary of significant accounting policies

Nature of Organization	<p>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.</p> <p>The organization is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.</p>						
Basis of Accounting	<p>The financial statements have been prepared by management using Canadian Accounting Standards for Not-for-Profit Organizations.</p>						
Revenue Recognition	<p>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.</p>						
Pledges and Bequests	<p>The Foundation does not record pledges or bequest receivables, as collection cannot be reasonably assured.</p>						
Contributed Materials and Services	<p>Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.</p>						
Life Insurance Premiums	<p>The Foundation records life insurance premiums as revenue and a corresponding expense in the year incurred.</p>						
Capital Assets	<p>Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives.</p> <table><tr><td>Computer equipment</td><td style="text-align: right;">3 years</td></tr><tr><td>Furniture</td><td style="text-align: right;">5 years</td></tr><tr><td>Televisions</td><td style="text-align: right;">5 years</td></tr></table>	Computer equipment	3 years	Furniture	5 years	Televisions	5 years
Computer equipment	3 years						
Furniture	5 years						
Televisions	5 years						

Strathroy Middlesex General Hospital Foundation

Notes to the Financial Statements

March 31, 2018

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, 2018 is \$6,457 (2017- \$290,344) in contributions receivable.

Strathroy Middlesex General Hospital Foundation

Notes to the Financial Statements

March 31, 2018

3. Investments

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

	2018		2017	
	Cost Value	Estimated Fair value	Cost Value	Estimated Fair value
Cash and equivalents	\$ 130,518	\$ 132,698	\$ 91,899	\$ 91,899
Fixed income	489,181	491,979	252,948	263,195
Equities and mutual funds	947,079	1,110,718	1,008,495	1,198,072
	\$ 1,566,778	\$ 1,735,395	\$ 1,353,342	\$ 1,553,166

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, 2018 was \$1,102,433 (2017 - \$1,029,061).

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, 2018 was \$192,560 (2017 - \$179,744).

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, 2018 was \$184,440 (2017 - \$172,165).

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, 2018 was \$52,546 (2017 - \$49,049).

Strathroy Middlesex General Hospital Foundation

Notes to Financial Statements

March 31, 2018

8. 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>2018</u>
Advances to related party	12,147
Share capital	100
Accumulated deficit	<u>(6,351)</u>
	<u>\$ 5,896</u>

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

Financial Position

	<u>2018</u>
Total assets	<u>\$ 254,562</u>
Total liabilities	260,813
Total shareholder's deficit	<u>(6,251)</u>
	<u>\$ 254,562</u>

Results of Operations

	<u>2018</u>
Total revenues	<u>\$ 1,501</u>
Total expenses	<u>(7,852)</u>
Net loss	<u>\$ (6,351)</u>

Cash Flows

	<u>2018</u>
Cash from operations	<u>\$ 350</u>
Cash used in financing activities	257,248
Cash used in investing activities	<u>(251,767)</u>
Increase in cash	<u>\$ 5,831</u>

Strathroy Middlesex General Hospital Foundation
Notes to Financial Statements

March 31, 2018

8. Investment in Controlled Entity (Continued)

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

Expected principal repayments over the next five years and thereafter is as follows:

Year	Amount
2019	\$ 7,125
2020	5,544
2021	5,694
2022	<u>226,637</u>
	<u>\$ 245,000</u>

Strathroy Middlesex General Hospital Foundation

Notes to Financial Statements

March 31, 2018

9. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 98,445	\$ -	\$ 98,445	\$ -
Computer equipment	158,081	137,823	150,084	121,028
Furniture	103,265	103,116	103,265	93,528
Televisions	26,918	8,076	26,918	2,692
	\$ 386,709	\$ 249,015	\$ 378,712	\$ 217,248
Net book value		\$ 137,694		\$ 161,464

10. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is \$12,652 (2017 - \$15,985) in government remittances payable.

11. Pledges Receivable

The Foundation has pledges receivable in the amount of \$1,830,137 (2017 - \$706,865) 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
2019	\$ 245,887
2020	251,800
2021	251,800
2022	243,900
Thereafter	836,750
	\$ 1,830,137

Strathroy Middlesex General Hospital Foundation

Notes to Financial Statements

March 31, 2018

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 \$31,179 (2017 - \$33,624) 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 members 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 (2017 - \$10,238). The rent expense is included in administration and office expense on the statement of operations.

During the year, \$57,472 (2017 - \$91,945) was paid to Strathroy Middlesex General Hospital for parking lot maintenance.

Included in accounts payable is \$772,111 (2017- \$404,145) due to Strathroy Middlesex General Hospital.

14. 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, 2018

14. 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.