

**STRATFORD GENERAL
HOSPITAL FOUNDATION**

FINANCIAL STATEMENTS

MARCH 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Stratford General Hospital Foundation
Stratford, Ontario

We have audited the accompanying financial statements of **Stratford General Hospital Foundation**, which comprise the statement of financial position as at **March 31, 2018** and the statements of operations, 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 the auditors' 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 audit opinion.

INDEPENDENT AUDITORS' REPORT - continued

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Stratford General 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.

Other Matter

One of the organization's members on the Board of Directors is a close family member of a partner in this firm. The partner in question has not been involved in any capacity in the performance of this audit engagement.

Fannell & Co.

Professional Corporation
Chartered Professional Accountants
*Authorized to practise public accounting by
the Chartered Professional Accountants of Ontario*

London, Ontario
June 7, 2018

Stratford General Hospital Foundation
Statement of Financial Position
As at March 31, 2018

ASSETS		
	2018	2017
Current Assets		
Cash	\$ 1,534,777	\$ 2,289,319
Endowment cash	14,166	1,104,962
Investments (Note 5)	1,382,087	1,568,670
Prepaid expenses	18,123	22,156
HST receivable	9,325	26,478
Insurance receivable	<u>11,001</u>	<u>-</u>
	\$ 2,969,479	<u>5,011,585</u>
Investments - at market value		
Investments - endowment fund (Note 6)	1,087,453	<u>-</u>
Property, Plant and Equipment (Note 7)		
	<u>2,610</u>	<u>6,066</u>
	\$ <u>4,059,542</u>	\$ <u>5,017,651</u>
LIABILITIES		
Current Liabilities		
Accounts payable - Huron Perth Healthcare Alliance	41,293	36,091
Accounts payable - other	<u>2,377</u>	<u>1,149</u>
	43,670	<u>37,240</u>
FUND BALANCES		
Net Assets		
Endowment	1,101,619	1,104,962
Other restricted	1,869,070	2,466,273
Unrestricted	<u>1,045,183</u>	<u>1,409,176</u>
	<u>4,015,872</u>	<u>4,980,411</u>
	\$ <u>4,059,542</u>	\$ <u>5,017,651</u>

Approved on Behalf of the Board:

Director

Director

(See Accompanying Notes to the Financial Statements)

Stratford General Hospital Foundation
Statement of Changes in Fund Balances
For the year ended March 31, 2018

	Endowment Funds	Other Restricted Funds	Unrestricted Funds	Total 2018	Total 2017
Balance - beginning of year	\$ 1,104,962	\$ 2,466,273	\$ 1,409,176	\$ 4,980,411	\$ 4,698,097
Excess of revenue over expenditures (expenditures over revenue) for the year	(3,343)	(597,203)	(363,993)	(964,539)	282,314
Interfund transfers	-	-	-	-	-
Balance - end of year	<u>\$ 1,101,619</u>	<u>\$ 1,869,070</u>	<u>\$ 1,045,183</u>	<u>\$ 4,015,872</u>	<u>\$ 4,980,411</u>

(See Accompanying Notes to the Financial Statements)

Stratford General Hospital Foundation

Statement of Operations

For the year ended March 31, 2018

	Endowment Funds	Other Restricted Funds	Unrestricted Funds	Total 2018	Total 2017
Revenue					
Donations	\$ -	\$ 1,169,052	\$ 89,392	\$ 1,258,444	\$ 2,042,837
Investment income (Note 6)	7,158	-	52,410	59,568	52,189
Other	-	-	1,056	1,056	2,019
	<u>7,158</u>	<u>1,169,052</u>	<u>142,858</u>	<u>1,319,068</u>	<u>2,097,045</u>
Expenditures					
Wages and benefits	-	-	339,485	339,485	329,387
Professional fees	10,501	-	8,835	19,336	7,172
Annual fundraising costs	-	-	86,706	86,706	78,727
Capital campaign costs	-	71,079	-	71,079	23,305
Other administrative expenses	-	-	71,273	71,273	74,958
Amortization	-	-	552	552	1,443
	<u>10,501</u>	<u>71,079</u>	<u>506,851</u>	<u>588,431</u>	<u>514,992</u>
Disbursements on behalf of Stratford General Hospital	-	1,695,176	-	1,695,176	1,299,739
	<u>10,501</u>	<u>1,766,255</u>	<u>506,851</u>	<u>2,283,607</u>	<u>1,814,731</u>
Excess of revenue over expenditures (expenditures over revenue) for the year	\$ <u>(3,343)</u>	\$ <u>(597,203)</u>	\$ <u>(363,993)</u>	\$ <u>(964,539)</u>	\$ <u>282,314</u>

(See Accompanying Notes to the Financial Statements)

Stratford General Hospital Foundation

Statement of Cash Flows

For the year ended March 31, 2018

	2018	2017
Cash Provided By (Used In):		
Operating Activities		
Excess of revenue over expenditures (expenditures over revenue) for the year	\$ (964,539)	\$ 282,314
Items not requiring cash		
Amortization of property, plant and equipment	552	1,443
Unrealized losses on investments	8,578	-
Net changes in non-cash current operating accounts		
Decrease (increase) in prepaid expenses	4,033	(7,499)
Decrease (increase) in HST receivable	17,153	(9,216)
Decrease (increase) in insurance receivable	(11,001)	-
Increase (decrease) in accounts payable		
- Huron Perth Healthcare Alliance	5,202	(8,469)
- Other	1,228	645
	\$ (938,794)	259,218
Investing Activities		
Proceeds from sale of property, plant and equipment	2,904	-
Withdrawal from investment account	337,000	-
Deposit and reinvestments into investment account	(1,719,087)	-
Deposit and reinvestments into investment account (endowment)	(1,096,031)	-
	(2,475,214)	-
Increase (decrease) in cash and cash equivalents	(3,414,008)	259,218
Cash and cash equivalents - beginning of year	4,962,951	4,703,733
Cash and cash equivalents - end of year	\$ 1,548,943	\$ 4,962,951
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents comprise the following balance sheet amounts:		
Cash	1,534,777	2,289,319
Endowment cash	14,166	1,104,962
Investments	-	1,568,670
	\$ 1,548,943	\$ 4,962,951

(See Accompanying Notes to the Financial Statements)

Stratford General Hospital Foundation
Notes to the Financial Statements
For the year ended March 31, 2018

1. Purpose of the Organization

The mission of the Stratford General Hospital Foundation (the Foundation) is to encourage, receive and administer donations for the benefit of the Stratford General Hospital campus of the Huron Perth Healthcare Alliance.

The Foundation was incorporated without share capital in 1983 under the laws of the Province of Ontario and is a registered charity exempt from income taxes under paragraph 149(1)(f) of the Income Tax Act. As a registered charity, the Foundation may issue income tax receipts to its donors.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations summarized below:

(a) Financial Instruments

A financial asset is any asset that is cash; a contractual right to receive cash from another party; or an equity instrument of another entity. A financial liability is any liability that is a contractual obligation to deliver cash to another party.

Financial assets and liabilities are initially measured at fair value, except for certain non-arm's length transactions. Subsequently, financial assets and financial liabilities are measured at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

(b) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include short-term investments which have a maturity of one year or less and cashable guaranteed investment certificates.

(c) Amortization

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is calculated on the straight line basis over the useful lives of the related assets, generally as follows:

Furniture and equipment - 10 to 20 years
Computer equipment - 5 years

(d) Revenue Recognition

The Foundation follows the restricted fund method of accounting for contributions. Restricted and unrestricted contributions are recognized as revenue in the applicable fund when they are received or receivable, provided the amounts are measurable. The Foundation does not recognize pledges or other anticipated donations as revenue until collection is reasonably assured. Estate gifts and bequests are recorded upon receipt of the donated assets. Interest and other investment income is recorded on an accrual basis.

(e) Use of Estimates

Preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that could affect amounts reported as assets, liabilities, revenues and expenditures. Due to measurement uncertainty, results could differ from those estimates.

Stratford General Hospital Foundation
Notes to the Financial Statements
For the year ended March 31, 2018

2. Accounting Policies (continued)

(f) **Contributed Services**

The work of the Foundation is dependent on the time and expertise donated by many volunteers. The value of donated services is not recognized in the financial statements.

3. Fund Accounting

The Foundation classifies its resources into funds for financial reporting purposes using the restricted fund method. The funds are maintained in accordance with the objectives specified by donors or the directives of the Foundation as established by its Board of Directors. Subject to the requirements of any externally-imposed restrictions, the Board may conduct interfund transfers to ensure the appropriate allocation of net assets for the Foundation's ongoing activities.

The Foundation maintains the following three funds for financial reporting purposes:

- (a) **Endowment:** Endowment funds are required to be invested and held in perpetuity. Investment income earned on endowed funds is available to be used for general purposes.
- (b) **Other Restricted:** Other restricted funds are required to be used for a specific purpose or project. Restrictions may be imposed externally (by donors) or internally (by the Board). Investment income earned on other restricted funds is available to be used for general purposes.
- (c) **Unrestricted:** Unrestricted funds may be used for any purpose, including the Foundation's general operating activities.

4. Financial Instruments - Risk

It is management's opinion that the Foundation is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. To address market risk, the Foundation follows an investment policy which limits the amount of exposure in any one type of investment and with any one entity.

5. Investments

Some of the assets of the restricted and unrestricted funds have been invested with a registered securities broker in accordance with the organization's investment policy. The investments balance consists of the following:

	2018	2017
Cash	\$ 48	\$ -
Fixed income (Cost \$ 1,350,229; 2017 - \$ 1,550,630)	1,365,485	1,568,670
Mutual funds (Cost \$ 16,554; 2017 - \$ nil)	<u>16,554</u>	<u>-</u>
	<u>\$ 1,382,087</u>	<u>\$ 1,568,670</u>

The fixed income investments have interest rates from 1.40% to 2.75% and maturity dates ranging from June 28, 2018 to July 30, 2018.

Stratford General Hospital Foundation
Notes to the Financial Statements
For the year ended March 31, 2018

6. Investments - Endowment Fund

The assets of the endowment fund have been invested with a registered securities broker in accordance with the organization's investment policy. The endowment fund investment consists of the following:

	2018	2017
Cash	\$ 29,707	\$ -
Fixed income (Cost \$ 657,566; 2017 - \$ nil)	644,259	-
Equities (Cost \$ 243,938; 2017 - \$ nil)	248,667	-
Mutual funds (Cost \$ 164,820; 2017 - \$ nil)	<u>164,820</u>	<u>-</u>
	<u>\$ 1,087,453</u>	<u>\$ -</u>

Investment income for the endowment fund consists of the following:

Dividends	4,019	-
Interest	16,330	12,300
Realized gains (losses)	(4,663)	-
Other	<u>50</u>	<u>-</u>
	15,736	12,300
Unrealized gains (losses)	<u>(8,578)</u>	<u>-</u>
	<u>\$ 7,158</u>	<u>\$ 12,300</u>

7. Property, Plant and Equipment

	Cost	Accumulated Amortization	Net Book Value	
			2018	2017
Furniture, equipment and computers	\$ <u>22,570</u>	\$ <u>19,960</u>	\$ <u>2,610</u>	\$ <u>6,066</u>

8. Pledges Receivable

Pledges outstanding, but not recognized in these financial statements, amounted to \$ 1,481,782 as at March 31, 2018 (2017 - \$ 1,816,670).

Stratford General Hospital Foundation
Schedule A: Continuity of Fund Balances
For the year ended March 31, 2018

	Balance March 31, 2017	Revenue	Net Interfund Transfers	Total to be Accounted For	Expenditures and Disbursements	Balance March 31, 2018
<u>Unrestricted Funds:</u>						
General	\$ <u>1,409,176</u>	\$ <u>142,858</u>	\$ <u>-</u>	\$ <u>1,552,034</u>	\$ <u>506,851</u>	\$ <u>1,045,183</u>
<u>Endowment Funds:</u>						
McNair Fund	<u>1,104,962</u>	<u>7,158</u>	<u>-</u>	<u>1,112,120</u>	<u>10,501</u>	<u>1,101,619</u>
<u>Other Restricted Funds:</u>						
Building	368,775	332,098	-	700,873	500,000	200,873
Equipment	1,591,345	694,138	124,870	2,410,353	1,107,495	1,302,858
Special Purposes	395,299	138,470	(50,900)	482,869	138,800	344,069
Gifts in Kind	-	1,551	-	1,551	1,551	-
Dr. Hussey Fund	8,275	-	-	8,275	-	8,275
Medical Staff Memorial	2,992	-	-	2,992	-	2,992
Meldorf Education Fund	21,467	-	-	21,467	14,608	6,859
MRI	74,168	2,795	(73,970)	2,993	2,993	-
People of Stratford Bursary	3,952	-	-	3,952	808	3,144
	<u>2,466,273</u>	<u>1,169,052</u>	<u>-</u>	<u>3,635,325</u>	<u>1,766,255</u>	<u>1,869,070</u>
	<u>\$ 4,980,411</u>	<u>\$ 1,319,068</u>	<u>\$ -</u>	<u>\$ 6,299,479</u>	<u>\$ 2,283,607</u>	<u>\$ 4,015,872</u>