

**CAMPBELLFORD MEMORIAL HOSPITAL
FOUNDATION
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012**

**CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION
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AS AT DECEMBER 31, 2012**

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INDEPENDENT AUDITORS' REPORT

To the Members of
Campbellford Memorial Hospital Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Campbellford Memorial Hospital Foundation, which comprise the statement of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of changes in net assets, operations and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 controls as management determines are 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 whether the financial statements are free of 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these assessments, the auditor considers internal control relevant to the Foundation'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 Foundation'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 fundraising events and donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we are not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and 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 December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Wilkinson + Company LLP

TRENTON, Canada
May 22, 2013

Chartered Accountants
Licensed Public Accountants

**CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012**


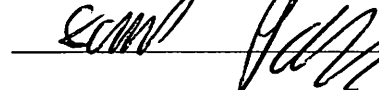
	2012 \$	December 31 2011 \$ Note 2	January 1 2011 \$ Note 2
ASSETS			
CURRENT			
Cash	297,868	200,113	130,195
Accounts receivable	8,227	16,945	6,193
Prepaid expenses	1,727	3,485	1,247
Investments - Note 1 (c)	83,820	182,838	144,431
	391,642	403,381	282,066
CAPITAL ASSETS - Notes 7, 11	211,930	211,930	373,149
RESTRICTED INVESTMENTS - Note 1 (c), (b)	434,935	191,621	189,977
	1,038,507	806,932	845,192
LIABILITIES AND NET ASSETS (DEFICIT)			
CURRENT			
Accounts payable and accrued liabilities	39,016	46,662	36,885
Loan payable - Note 8	150,000	150,000	150,000
	189,016	196,662	186,885
RESTRICTED CURRENT LIABILITIES			
Current portion of long-term debt - Note 5	70,000	68,839	68,839
	259,016	265,501	255,724
RESTRICTED LONG-TERM			
Due to Campbellford Memorial Hospital - Note 5	462,000	524,071	619,548
	721,016	789,572	875,272
NET ASSETS (DEFICIT)			
Externally Restricted	(175,829)	(460,458)	(498,410)
Endowment Fund	78,764	59,169	-
Unrestricted	352,626	356,719	245,181
Invested in capital assets	61,930	61,930	223,149
	317,491	17,360	(30,080)
	1,038,507	806,932	845,192

COMMITMENTS - Note 5

SUBSEQUENT EVENT - Note 11

CONTINGENCIES - Note 12

APPROVED ON BEHALF OF THE BOARD

 Director
 Director

The accompanying notes form an integral part of these financial statements

**CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Externally Restricted</u>			Endowment Fund	<u>Unrestricted</u> Invested in Capital Assets		2012 \$
	CMH Hospital \$	CT Campaign \$	Total \$		General \$	\$	
Balance - Beginning of year	85,060	(545,518)	(460,458)	59,169	356,719	61,930	17,360
Excess (deficiency) of revenue over expenditures	244,181	40,448	284,629	19,595	(4,093)	-	300,131
Balance - End of year	329,241	(505,070)	(175,829)	78,764	352,626	61,930	317,491

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Externally Restricted</u>			Endowment Fund	<u>Unrestricted</u> Invested in Capital Assets		2011 \$
	CMH Hospital \$	CT Campaign \$	Total \$		General \$	\$	
Balance - Beginning of year	126,015	(624,425)	(498,410)	-	245,181	223,149	(30,080)
Excess (deficiency) of revenue over expenditures	(40,955)	78,907	37,952	59,169	111,538	(161,219)	47,440
Balance - End of year	85,060	(545,518)	(460,458)	59,169	356,719	61,930	17,360

The accompanying notes form an integral part of these financial statements

**CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012**

RESTRICTED

	CMH Equipment \$	CT Campaign \$	Total \$	Endowment Funds \$	Unrestricted \$	Total 2012 \$	Total 2011 \$
REVENUE							
Donations							
- Auxiliary	70,000	-	70,000	-	-	70,000	16,450
- Bequests	-	17,897	17,897	19,595	14,727	52,219	117,560
- Other	415,867	49,342	465,209	-	149,492	614,701	480,126
Investment							
income - Note 3	-	-	-	5,118	27,786	32,904	17,276
Nevada	1,252	-	1,252	-	-	1,252	3,124
Rental income	-	-	-	-	-	-	3,639
	487,119	67,239	554,358	24,713	192,005	771,076	638,175
EXPENDITURES							
Bursaries	500	-	500	-	500	1,000	1,000
Life endowment programs	-	-	-	-	848	848	848
Office, printing & supplies	6,117	-	6,117	-	18,351	24,468	33,795
Professional fees	1,633	-	1,633	-	4,899	6,532	7,985
Fundraising & events	12,563	-	12,563	-	37,687	50,250	60,055
Realty costs	-	-	-	-	6,577	6,577	13,008
Salaries & benefits	63,507	12,281	75,788	-	127,016	202,804	210,619
	84,320	12,281	96,601	-	195,878	292,479	327,310
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE TRANSFERS							
	402,799	54,958	457,757	24,713	(3,873)	478,597	310,865
TRANSFERS							
To Campbellford Memorial Hospital - Notes 4 & 5	(158,288)	(14,510)	(172,798)	(5,118)	(220)	(178,136)	(261,504)
Other	(330)	-	(330)	-	-	(330)	(1,921)
	(158,618)	(14,510)	(173,128)	(5,118)	(220)	(178,466)	(263,425)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES							
	244,181	40,448	284,629	19,595	(4,093)	300,131	47,440

The accompanying notes form an integral part of these financial statements

**CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012	2011
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	300,131	47,440
Adjustment for item which does not affect cash -		
Net change in non-cash working capital -		
(Increase) decrease in short-term investments	99,018	(38,407)
(Increase) decrease in accounts receivable	8,718	(10,752)
(Increase) decrease in prepaid expenses	1,758	(2,238)
Increase (decrease) in accounts payable and accrued liabilities	(7,646)	9,777
Decrease in commitments to CMH	(60,910)	(95,477)
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES	341,069	(89,657)
INVESTING AND FINANCING ACTIVITIES		
Transfer of capital assets	-	161,219
FINANCING ACTIVITIES		
Increase in restricted assets	(243,314)	(1,644)
CASH FLOWS PROVIDED FROM (USED IN) INVESTING AND FINANCING ACTIVITIES	(243,314)	159,575
NET INCREASE IN CASH FOR YEAR	97,755	69,918
CASH - BEGINNING OF YEAR	200,113	130,195
CASH - END OF YEAR	297,868	200,113
REPRESENTED BY:		
Cash	297,868	200,113

The accompanying notes form an integral part of these financial statements

**CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The Campbellford Memorial Hospital Foundation is a tax exempt public foundation incorporated for the purpose of raising and managing funds for charitable purposes in the field of health and related charitable social and educational purposes. The Foundation has been registered with Canada Revenue Agency Taxation as a charitable public foundation and accordingly, is exempt from income taxes, provided it disburses its available funds as set out under the requirements of the Income Tax Act.

1. ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations

(b) Fund Accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board. Transfers between the funds are made when it is considered appropriate and authorized by the Board. To meet these objectives of financial reporting and stewardship over assets, certain inter-fund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These inter-fund transfers are reported on the Statement of Changes in Net Assets.

Campbellford Memorial Hospital Fund

Donations restricted for Campbellford Memorial Hospital include general purpose donations, donations specified for equipment, donations for professional nursing development and other donations for specified purposes.

CT Campaign

Donations restricted for CT Campaign are to be used to pay for the purchase of CT Scan machine, Pyxis machines and physician recruitment.

Capital Assets

Donations and transfers to the Capital Asset Fund are used to fund office furniture and equipment or property held by the Foundation for future development.

Endowment Fund

During the year, the Foundation received funds that are restricted as follows: the interest derived from these funds is to be used to assist in Nursing Education or for the assistance of the Chronic Care and Senior Geriatric Ward.

**CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. ACCOUNTING POLICIES AND REPORTING PRACTICES - (Cont'd)

(c) Investments

Investments are classified as held-for-trading, and are initially recorded at their acquisition cost, including related transaction costs, on the date of trade. Investments are subsequently adjusted to fair value as at the date of the balance sheet, and the corresponding unrealized gains and losses are recorded in the statement of operations for the year.

(d) Capital Assets and Amortization

Capital assets are stated at cost less related government assistance. Assets acquired under capital leases are recorded at the present value of the future lease obligations at the beginning of the lease. Gains and losses on the sale of capital assets are charged to operations in the year of disposal. The real estate is held primarily to allow for future expansion; accordingly, it is not being amortized.

(e) Revenue Recognition

Investment income is recorded on the accrual basis. Donations and Nevada income are recognized as revenue in the year received.

(f) Pledges

The amount of any pledges to donate funds to the Foundation is not included in revenue until such time as the funds are received.

(g) Cash and Equivalents

Cash is comprised of cash on deposit with the bank and broker.

(h) Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent 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 those estimates.

(i) Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

**CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

2. ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective January 1, 2012, the Foundation adopted the requirements of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting electing to adopt the new accounting framework: Canadian Accounting Standards for Not-For-Profit Organizations (Part III). These are the Foundation's first financial statements prepared in accordance with Part III and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011 and the opening Part III statement of financial position at January 1, 2011 (the Foundation's date of transition).

The Foundation issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook – Part V. The adoption of Canadian Accounting Standards for Not-for-Profit Organizations did not result in any adjustments to the previously reported assets, liabilities, net assets, excess of revenues over expenses and cash flows of the organization.

3. INVESTMENT INCOME

	2012	2011
	\$	\$
Interest / Dividend income	11,499	12,073
Loss realized during the year	(5,671)	(2,044)
Unrealized gain for the year	27,076	7,247
	32,904	17,276

4. RELATED PARTY TRANSACTIONS

Related parties include the Campbellford Memorial Hospital, Campbellford Memorial Health Centre, Campbellford Memorial Hospital Auxiliary and other Campbellford area healthcare providers.

Transactions with these related parties have been recorded at the exchange amount and include:

- i) During the year, the Foundation received \$70,000 from the Campbellford Hospital Auxiliary as a donation to be used for hospital equipment. The full amount was transferred to the Campbellford Memorial Hospital during the year and is included in the total below under ii).
- ii) During the year, the Foundation transferred \$220 from the General Fund in order to promote the hospital mission and transferred \$158,618 from the CMH Hospital Fund for equipment.

**CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

4. RELATED PARTY TRANSACTIONS - (Cont'd)

- iii) During the year, the Foundation transferred \$14,510 to Campbellford Memorial Hospital from the CT Scan Fund.
- iv) Campbellford Memorial Hospital pays various expenses on behalf of the Foundation, such as salaries and supplies for which it is reimbursed by the Foundation. At year-end, the payable for these expenses amounts to \$19,587 (2011 - \$30,350) and is included in accounts payable and accrued liabilities.
- v) During the year, the Foundation transferred \$5,118 from the Endowment Fund to Campbellford Memorial Hospital to cover nursing education costs.

5. COMMITMENTS

Campbellford Memorial Hospital CT Scan Campaign

The Foundation agreed to fund the CT Scanner of the Campbellford Memorial Hospital which was purchased in the prior year. The initial commitment was \$1,649,064 and a total of \$1,117,064 has now been paid leaving a balance owing of \$532,000. Under the terms of an agreement with the Campbellford Memorial Hospital, the Foundation has guaranteed the Bankers Acceptance and is committed to repay minimum annual principal instalments of \$70,000.

6. RESTRICTED INVESTMENTS

The restricted investments consist of amounts from the following funds:

	\$
Endowment funds	78,764
CMH Equipment funds	329,241
CT Scan fund	26,930
<hr/>	
	434,935
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**CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

7. CAPITAL ASSETS

	2012		2011	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Real estate	203,020	-	203,020	-
Artwork	8,910	-	8,910	-
	211,930	-	211,930	-
Cost less accumulated amortization	\$ 211,930		\$ 211,930	

8. LOAN PAYABLE

The Foundation purchased real estate in 1998 for \$200,000 of which \$50,000 was paid and the balance of \$150,000 was invested. The loan was repaid when the owner vacated the property this year. The Foundation was responsible for property taxes, major repairs and building insurance during this period.

The loan was replaced with bridge financing of \$150,000 with the Royal Bank. Interest will accrue at the bank prime rate until the property is sold with the balance due by May 31, 2013. See subsequent event Note 10.

9. FINANCIAL INSTRUMENTS

The fair values of the Foundation's cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to the immediate and short-term nature of these financial instruments. It is not practicable to determine the fair value of the amounts due to Campbellford Memorial Hospital due to the non-arm's length nature of the relationship and that there are no repayment terms.

The fair value of the investments is market value, which represents the closing bid price noted on the stock exchange.

The fair value of the long-term debt approximates its carrying value as the interest rate does not differ significantly from the current market rates available to the Foundation for similar debt.

The Foundation has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risk that arise from transacting financial instruments include market risk, credit risk, interest rate risk and liquidity risk.

**CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

9. FINANCIAL INSTRUMENTS - (Cont'd)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include interest rate risk.

The Foundation's investment in publicly-traded securities exposes the Foundation to price risks as equity investments are subject to price changes in an open market. The Foundation does not use derivative financial instruments to alter the effects of this risk.

Credit Risk

Credit risk is the risk of financial loss if a debtor fails to make payments of interest and principal when due.

Accounts receivable are short-term in nature and are not subject to material credit risk. The maximum exposure to credit risk and concentration of this risk is limited to the carrying value of these instruments.

There have been no significant changes from the previous period in the exposure to risk or policies used to measure risk.

Interest Rate Risk

Interest rate risk is the potential for financial losses caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The exposure of the Foundation to interest rate risk arises from its interest bearing assets and in the current year, the new bridge financing.

With the exception of the new short-term loan, there have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity Risk

Liquidity risk is the risk that the organization will not be able to meet all cash outflow obligations as they come due. The Foundation mitigates this risk by monitoring cash activities and expected outflows.

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

**CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

10. CAPITAL DISCLOSURES

The Foundation's objectives with respect to capital management are to maintain a minimum capital base that allows the Foundation to continue with and execute its overall purpose as outlined before Note 1. The Foundation's Board of Directors perform periodic reviews of the Foundation's capital needs to ensure they remain consistent with the risk tolerance that is acceptable to the Foundation.

11. SUBSEQUENT EVENT

Subsequent to year-end, the real estate as described in Notes 6 and 7 was sold for \$235,000.

12. CONTINGENCIES

The Foundation has been named as the beneficiary of two life insurance policies, and will be entitled to receive life insurance proceeds upon the death of the insured.

During the year, the Foundation was named as the beneficiary of a \$35,000 annuity. The donor is entitled to all income earned on the annuity during their lifetime. The Foundation will receive a \$35,000 donation upon the death of the annuitant.