

Financial Statements of

**CAMPBELLFORD MEMORIAL  
HOSPITAL FOUNDATION**

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP  
863 Princess Street, Suite 400  
Kingston ON K7L 5N4  
Canada  
Telephone 613-549-1550  
Fax 613-549-6349

## INDEPENDENT AUDITORS' REPORT

To the Members of the Campbellford Memorial Hospital Foundation

### **Qualified Opinion**

We have audited financial statements of the Campbellford Memorial Hospital Foundation (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "**Basis for Qualified Opinion**" section of our auditors' report, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 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:

- the current assets reported on the statements of financial position as at December 31, 2019 and December 31, 2018;
- the donations revenue and excess (deficiency) of revenue over expenses reported on the statements of operations for the years ended December 31, 2019 and December 31, 2018;
- the unrestricted net assets, at the beginning and end of the year, reported on the statements of changes in net assets for the years ended December 31, 2019 and December 31, 2018; and
- the excess (deficiency) of revenue over expenses reported on the statements of cash flows for the years ended December 31, 2019 and December 31, 2018.

The predecessor auditor's opinion on the financial statements for the year ended December 31, 2018 was qualified accordingly because of the possible effect 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 **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' 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 opinion.

***Other Matter - Comparative Information***

The financial statements as at and for the year ended December 31, 2018 were audited by another auditor who expressed a qualified opinion on those financial statements on May 22, 2019 due to the matter described in the **"Basis for Qualified Opinion"** section of our auditors' report.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

***Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' 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.
- 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

April 29, 2020

# CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION


## Statement of Financial Position

December 31, 2019, with comparative information for 2018

	Restricted		Endowment	Unrestricted	2019 Total	2018 Total
	CMH Hospital	CT Campaign				
<b>Assets</b>						
Current assets:						
Cash	\$ 4,443	\$ -	\$ -	\$ 369,990	\$ 374,433	\$ 178,324
Accounts receivable	-	-	-	16,399	16,399	19,587
Prepaid expenses	-	-	-	13,578	13,578	16,124
	4,443	-	-	399,967	404,410	214,035
Investments (note 2)	93,251	-	112,665	86,642	292,558	414,817
	\$ 97,694	\$ -	\$ 112,665	\$ 486,609	\$ 696,968	\$ 628,852
<b>Liabilities and Net Assets</b>						
Current liabilities:						
Accounts payable and accrued liabilities (notes 3 and 4)	\$ -	\$ -	\$ -	\$ 51,145	\$ 51,145	\$ 49,728
Deferred revenue	-	-	-	2,146	2,146	-
Current portion of due to Campbellford Memorial Hospital (notes 4(a) and 4(d))	-	-	-	109,006	109,006	70,000
	-	-	-	162,297	162,297	119,728
Due to Campbellford Memorial Hospital (note 4(d))	-	-	-	-	-	42,000
	-	-	-	162,297	162,297	161,728
Net assets:						
CMH Hospital	97,694	-	-	-	97,694	95,297
CT Campaign	-	-	-	-	-	(109,425)
Endowment	-	-	112,665	-	112,665	112,372
Unrestricted	-	-	-	324,312	324,312	368,880
	97,694	-	112,665	324,312	534,671	467,124
Subsequent event (note 7)						
	\$ 97,694	\$ -	\$ 112,665	\$ 486,609	\$ 696,968	\$ 628,852

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

# CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION

## Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	Restricted			Unrestricted	2019 Total	2018 Total
	CMH Hospital	CT Campaign	Endowment			
Revenue:						
Donations:						
Bequests	\$ -	\$ -	\$ -	\$ 96,291	\$ 96,291	\$ 81,938
Other	-	2,575	25	859,844	862,444	726,106
Grants	-	-	-	8,217	8,217	9389
Investment income (loss) (note 2)	-	-	293	44,512	44,805	(12,943)
Gain on disposal of capital asset Nevada	-	-	-	-	-	1,415
	2,397	-	-	-	2,397	307
	2,397	2,575	318	1,008,864	1,014,154	806,212
Expenses:						
Salaries and benefits	-	633	-	248,747	249,380	240,450
Fundraising and events	-	270	-	105,877	106,147	96,595
Office, printing and supplies	-	59	-	23,213	23,272	25,602
Professional fees	-	-	-	7,943	7,943	8,129
Realty costs	-	-	-	-	-	487
Investment fees	-	-	-	3,318	3,318	8,266
Bursaries	-	-	1,250	500	1,750	1,000
Contractor	-	-	-	-	-	478
	-	962	1,250	389,598	391,810	381,007
Excess (deficiency) of revenue over expenses before transfers	2,397	1,613	(932)	619,266	622,344	425,205
Transfers:						
Campbellford Memorial Hospital	-	-	-	(553,430)	(553,430)	(561,194)
Other	-	-	(1,367)	-	(1,367)	(1,290)
	-	-	(1,367)	(553,430)	(554,797)	(562,484)
Excess (deficiency) of revenue over expenses	\$ 2,397	\$ 1,613	\$ (2,299)	\$ 65,836	\$ 67,547	\$ (137,279)

See accompanying notes to financial statements.

# CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION

## Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

	Restricted				Unrestricted	2019 Total	2018 Total
	CMH Hospital	CT Campaign	Endowment				
Balance, beginning of year	\$ 95,297	\$ (109,425)	\$ 112,372	\$ 368,880	\$ 467,124	\$ 604,403	
Excess (deficiency) of revenue over expenses	2,397	1,613	(2,299)	65,836	67,547	(137,279)	
Transfers	—	107,812	2,592	(110,404)	—	—	
Balance, end of year	\$ 97,694	\$ —	\$ 112,665	\$ 324,312	\$ 534,671	\$ 467,124	

See accompanying notes to financial statements.

# CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION

## Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 67,547	\$ (137,279)
Items not involving cash:		
Gain on disposal of capital asset	–	(1,415)
Unrealized loss on investments	–	21,487
Changes in non-cash operating working capital:		
Accounts receivable	3,188	16,357
Prepaid expenses	2,546	(3,228)
Accounts payable and accrued liabilities	1,417	(37,080)
Deferred revenue	2,146	–
	<u>76,844</u>	<u>(141,158)</u>
Financing activities:		
Repayment of due to Campbellford Memorial Hospital	(2,994)	(129,181)
Investing activities:		
Proceeds on disposal of capital asset	–	31,415
Proceeds on sale of investments	122,259	124,581
	<u>122,259</u>	<u>155,996</u>
Increase (decrease) in cash	196,109	(114,343)
Cash, beginning of year	178,324	292,667
Cash, end of year	<u>\$ 374,433</u>	<u>\$ 178,324</u>

See accompanying notes to financial statements.



# CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019

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The Campbellford Memorial Hospital Foundation (the "Foundation") is incorporated, without share capital, under the laws of Canada. The Foundation's mandate is to raise funds and manage funds for charitable purposes in the field of health and related charitable social and educational purposes.

The Foundation is a registered charity and as such is exempt from income taxes and may issue income tax receipts to donors, provided certain requirements of the Income Tax Act are met.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.

### (a) 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 of Directors (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 interfund 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.

For financial reporting purposes, the accounts have been classified into the following funds:

#### (i) Unrestricted:

The Unrestricted Fund accounts for the Foundation's general fundraising, granting and administrative activities.

#### (ii) 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.

#### (iii) CT Campaign:

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

# CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

### (a) Fund accounting (continued):

#### (iv) Endowment Fund:

The Endowment fund includes funds where donor restrictions require that the principal be invested by the Foundation in perpetuity. The investment income generated from assets held for endowment purposes must be used in accordance with the various purposes established by the donors or the Board. Investment income attributed to the fund is accumulated within the fund. Disbursements of income from the fund are in accordance with the terms of the specific endowment requirements.

### (b) Revenue recognition:

Investment income is recorded on the accrual basis. Donations, Grants and Nevada income are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and the collection is reasonably assured.

### (c) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year to assist the Foundation in carrying out its service activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

### (d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to subsequently carry all of its investments at fair value, if any.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 1. Significant accounting policies (continued):

### (e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value.

### (f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect 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 revenue and expenses during the year. Actual results could differ from those estimates.

## 2. Investments:

Investments consist of:

	2019	2018
Cash	\$ 20,861	\$ 16,274
Fixed income bonds	112,665	164,942
Canadian equities	159,032	122,127
Global equities	—	111,474
	\$ 292,558	\$ 414,817

Investment income consists of:

	2019	2018
Interest and dividends	\$ 9,645	\$ 11,803
Realized gains (losses)	35,160	(3,259)
Unrealized losses	—	(21,487)
	\$ 44,805	\$ (12,943)

## 3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$Nil (2018 - \$Nil), which includes amounts payable for harmonized sales tax and payroll-related taxes.

# CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 4. Related party transactions:

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

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

- (a) During the year, the Foundation transferred \$553,430 (2018 - \$561,194) to the Campbellford Memorial Hospital from the General Fund in order to promote the hospital mission and transferred \$Nil (2018 - \$16,888) from the Campbellford Memorial Hospital Fund for equipment. At December 31, 2019, \$109,006 (2018 - \$Nil) of this transfer remains payable and is recorded on the Statement of Financial Position.
- (b) 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 \$24,268 (2018 - \$18,495) and is included in accounts payable and accrued liabilities on the Statement of Financial Position.
- (c) During the year, the Foundation transferred \$Nil (2018 - \$1,290) from the Endowment Fund to Campbellford Memorial Hospital to cover nursing education costs.
- (d) During the year, the Foundation paid \$Nil (2018 - \$70,000) towards reducing the CT scanner commitment. Campbellford Memorial Hospital received alternate funds for this piece of equipment during 2019 and as such, removed the outstanding payable of \$112,000 from the Foundation. The \$112,000 is recorded as a reduction to the total transfers made to Campbellford Memorial Hospital during the year of \$665,430, to net to the \$553,430 on the Statement of Operations.

## 5. Financial risks and concentration of risk:

### (a) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

### (b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to credit risk with respect to cash, investments, and accounts receivable. The Foundation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not considered collectible in an allowance for doubtful accounts. The balance in the allowance for doubtful accounts as at December 31, 2019 is \$Nil (2018 - \$Nil).

# CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 5. Financial risks and concentration of risk (continued):

### (c) 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 fixed income bonds in the investments portfolio.

There has been no significant change to the risk exposures from 2018.

## 6. Changes in accounting policies:

In March 2018, the Accounting Standards Board issued "Basis for Conclusions- Accounting Standards Improvements for Not-for-Profit Organizations" resulting in the introduction of three new handbook sections in the Accounting Standards for Not-for-Profit Organizations Part III of the Handbook as follows:

- A. *Section 4433, Tangible capital assets held by not-for-profit organizations*, which directs organizations to apply the accounting guidance of *Section 3061, Property, Plant and Equipment* in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at January 1, 2019.

- B. *Section 4434, Intangible assets held by not-for-profit organizations*, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expense should the net carrying value be higher than the asset's fair value or replacement cost.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at January 1, 2019.

- C. *Section 4441, Collections held by not-for-profit organizations*, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.



# CAMPBELLFORD MEMORIAL HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 6. Changes in accounting policies (continued):

Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at January 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at January 1, 2019.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019.

The implementation of these changes had no impact on the financial statements.

## 7. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of the approval of these financial statements, the entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Postponement/cancellation of certain of the Foundation's fundraising events due to social distancing guidance outlined by public health officials
- Decrease in the fair market value of investments
- Closure of the administrative office as recommended public health officials
- Mandatory working from home requirements for those, able to do so

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

## 8. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.