

Financial statements of

**Markham Stouffville  
Hospital Foundation**

March 31, 2010

# Markham Stouffville Hospital Foundation

March 31, 2010

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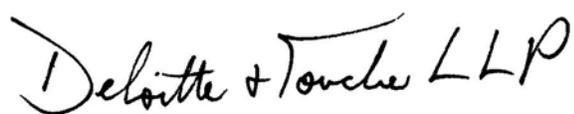
## Auditors' Report

To the Board of Directors of  
Markham Stouffville Hospital Foundation

We have audited the statement of financial position of Markham Stouffville Hospital Foundation (the "Foundation") as at March 31, 2010 and the statements of operations, changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Licensed Public Accountants  
May 14, 2010

# Markham Stouffville Hospital Foundation

Statement of financial position  
as at March 31, 2010

	2010	2009 Total Restated (Note 2 & 6)
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	610,491	497,548
Investments - short-term (Note 5)	615,096	6,931,151
Prepaid expenses and other receivables	56,251	72,393
	<u>1,281,838</u>	<u>7,501,092</u>
Investments - long-term (Note 5)	9,331,566	2,202,451
Capital assets (Note 6)	29,941	171,889
	<u>10,643,345</u>	<u>9,875,432</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	207,357	167,319
Note payable - current portion (Note 7(a))	32,112	32,112
Due to Markham Stouffville Hospital (Note 7(b))	671,364	84,580
Deferred revenue	456,246	406,673
	<u>1,367,079</u>	<u>690,684</u>
Note payable - long-term portion (Note 7(a))	8,024	40,130
	<u>1,375,103</u>	<u>730,814</u>
<b>Fund balances</b>		
Investment in capital assets	(10,195)	99,647
Externally restricted	2,759,996	2,655,564
Unrestricted	6,518,441	6,389,407
	<u>9,268,242</u>	<u>9,144,618</u>
	<u>10,643,345</u>	<u>9,875,432</u>

 Director  
 Director

# Markham Stouffville Hospital Foundation

Statement of operations  
year ended March 31, 2010

	2010			2009
	Externally restricted	Unrestricted	Total	Total Restated (Note 2 & 6)
	\$	\$	\$	\$
<b>Revenue</b>				
Donations	1,144,855	1,298,543	2,443,398	2,528,146
Planned gifts	-	189,985	189,985	1,162,777
Special fundraising events (Note 8)	94,286	1,370,649	1,464,935	1,586,094
Investment income - net (Note 9)	-	294,764	294,764	1,280,306
	<b>1,239,141</b>	<b>3,153,941</b>	<b>4,393,082</b>	<b>6,557,323</b>
<b>Expenses</b>				
Salaries and wages	-	1,077,489	1,077,489	1,082,210
Employee benefits	-	220,123	220,123	232,143
Special fundraising events (Note 8)	-	376,338	376,338	428,987
General and operating	-	285,737	285,737	297,336
Program specific	-	286,945	286,945	153,084
Amortization	-	141,948	141,948	15,365
	-	<b>2,388,580</b>	<b>2,388,580</b>	<b>2,209,125</b>
Excess of revenue over expenses before the undernoted	1,239,141	765,361	2,004,502	4,348,198
Fund transfer to Markham Stouffville Hospital (Note 7(c))	(1,134,709)	(1,565,291)	(2,700,000)	(2,090,000)
<b>Excess of revenue over expenses and transfer of funds (expenses and transfer of funds over revenue) for the year</b>	<b>104,432</b>	<b>(799,930)</b>	<b>(695,498)</b>	<b>2,258,198</b>

# Markham Stouffville Hospital Foundation

## Statement of changes in fund balances year ended March 31, 2010

				2010	2009
	Investment in capital assets	Externally restricted	Unrestricted	Total	Total Restated (Note 2 & 6)
	\$		\$	\$	\$
<b>Fund balances, beginning of year</b>	<b>99,647</b>	<b>2,655,564</b>	<b>6,389,407</b>	<b>9,144,618</b>	7,780,392
Excess of revenue over expenses and transfer of funds (expenses and transfer of funds over revenue) for the year	<b>(141,948)</b>	<b>104,432</b>	<b>(657,982)</b>	<b>(695,498)</b>	2,258,198
Realized loss/(gains) on investments previously included in unrealized loss	-	-	<b>3,350</b>	<b>3,350</b>	(1,092)
Change in unrealized gains/(losses) on investments	-	-	<b>815,772</b>	<b>815,772</b>	(892,880)
Repayment of note payable	<b>32,106</b>	-	<b>(32,106)</b>	-	-
<b>Fund balances, end of year (Note 11)</b>	<b>(10,195)</b>	<b>2,759,996</b>	<b>6,518,441</b>	<b>9,268,242</b>	9,144,618

# Markham Stouffville Hospital Foundation

## Statement of cash flows year ended March 31, 2010

	2010	2009 Restated (Note 2 & 6)
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses and transfer of funds (expenses and transfer of funds over revenue) for the year	<b>(695,498)</b>	2,258,198
Items not affecting cash		
Amortization of capital assets	<b>141,948</b>	15,365
Loss/(gain) on sale of investments (Note 9)	<b>3,349</b>	(1,136,656)
	<b>(550,201)</b>	1,136,907
Changes in non-cash operating working capital items		
Prepaid expenses and other receivables	<b>16,142</b>	39,783
Accounts payable and accrued liabilities	<b>40,038</b>	69,192
Due to Markham Stouffville Hospital	<b>586,784</b>	(96,922)
Deferred revenue	<b>49,573</b>	(54,023)
	<b>142,336</b>	1,094,937
<b>Investing activities</b>		
Disposal (purchase) of investments, net	<b>2,713</b>	(1,133,343)
Purchase of capital assets	<b>-</b>	(16,058)
	<b>2,713</b>	(1,149,401)
<b>Financing activities</b>		
Repayment of note payable	<b>(32,106)</b>	(32,112)
	<b>(32,106)</b>	(32,112)
Net cash inflow (outflow)	<b>112,943</b>	(86,576)
Cash, beginning of year	<b>497,548</b>	584,124
<b>Cash, end of year</b>	<b>610,491</b>	497,548

# Markham Stouffville Hospital Foundation

## Notes to the financial statements

March 31, 2010

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### 1. Description of the operations

Markham Stouffville Hospital Foundation ("Foundation") is incorporated under the Ontario Corporations Act as a non-profit organization and is a registered charity under the Income Tax Act. The Foundation raises funds to support capital, education and other special projects for the benefit of Markham Stouffville Hospital.

### 2. Changes in accounting policies

#### *Adoption of accounting policies*

Series of Sections 4400 – Not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to several of the existing sections on accounting, measurement and financial reporting by Not-for-profit organizations contained in the 4400 series of Sections of the CICA Handbook. The adoption of these amendments has not resulted in any change in how the Foundation accounts for its transactions but has resulted in a change in presentation of the statement of cash flows. Additional disclosure of allocated expenses is required and has been disclosed in Note 13.

Section 1000 – Financial statement concepts

On January 1, 2009, the Foundation adopted the amendments made to Section 1000 "Financial statements concepts". The amended section requires an entity to demonstrate that any expenditure that it wishes to present as an asset meets the conceptual definition of an asset or is permitted to be recorded as assets under specific CICA Handbook guidelines. As a result of adopting these amendments, which require retrospective restatement, the prior year's financial statements have been restated resulting in an increase in special fundraising events expenses and a decrease in prepaid expenses and unrestricted fund balances of \$42,477 in fiscal 2008/09.

EIC-173 - Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the Emerging Issues Committee issued the EIC-173 "Credit risk and the fair value of financial assets and financial liabilities". This abstract requires that an entity's own credit risk (for financial liabilities) and the credit risk of the counterparty (for financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The new guidance did not have any impact on the valuation of the Foundation's financial assets and liabilities, or its net assets.

### 3. Accounting policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

#### *Fund accounting*

The Foundation follows the restricted fund method of accounting for contributions. The financial statements separately disclose the activities of the following funds maintained by the Foundation:

- The unrestricted fund accounts for the Foundation's program delivery and administrative activities. This fund reports unrestricted resources.
- The externally restricted fund reflects donations that are to be expended for specific purposes as directed by the donors. Management does not allocate expenses to the restricted fund.

# Markham Stouffville Hospital Foundation

## Notes to the financial statements

March 31, 2010

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### 3. Accounting policies (continued)

#### *Revenue recognition*

Revenue is recognized in the appropriate restricted and unrestricted funds in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Amounts relating to future years for which a restricted fund does not exist are included in deferred revenue.

Donations are recorded when received and all investment income is recognized as revenue of the unrestricted fund when earned.

#### *Financial instruments*

The Foundation has elected the following classifications for its financial assets and liabilities:

	Classification	Measurement
Cash	Held for trading	Fair value
Investments	Available for Sale	Fair value
Other receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

#### *Held-for-trading*

Held for trading instruments are accounted for at fair value, with changes in their fair value recognized in the Statement of operations.

Loans and receivables and other liabilities are carried at amortized cost, using the effective interest method, net of any impairment.

This category includes all loans and receivables and other liabilities. They are measured at amortized cost using the effective interest method and the gain or loss is recognized in the Statement of operations. Amortized cost approximates fair value.

#### *Available-for-sale*

Financial assets classified as available-for-sale are carried at fair value (which represents the bid price when financial assets are quoted in active markets). The gain or loss originating from subsequent measurement is recognized in the Statement of changes in fund balances and is transferred to excess of revenue over expenses when the asset is sold. Any unrealized gain or loss of foreign exchange related to available-for-sale financial instruments is also recognized in the Statement of changes in fund balances and transferred to net income or loss when the asset is sold. Impairment write-downs relating to available-for-sale financial instruments are immediately recognized in excess of revenue over expenses.

As allowed under Section 3855 "Financial Instruments – Recognition and Measurement", the Foundation has elected not to account for non-financial contracts as derivatives, and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives

The Foundation has elected to follow the disclosure requirements of Section 3861 "Financial Instruments – Disclosure and Presentation" of the CICA Handbook.

#### *Pledges*

The amount of any pledges to donate funds is not included in revenue until such time as ultimate collection is reasonably assured, which is primarily when the funds are received. Future pledge payments expected as at March 31, 2010 were \$5,354,063 (2009 - \$2,962,931).

# Markham Stouffville Hospital Foundation

## Notes to the financial statements

March 31, 2010

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### 3. Accounting policies (continued)

#### *Capital assets*

Equipment and furnishings are recorded at cost or, in the case of donated equipment, at fair value. When equipment and furnishings no longer contribute to the Foundation's ability to provide services, their carrying amount is written down to a residual value. Amortization is provided on a straight-line basis at the following annual rates based on the estimated useful lives of the assets:

Office improvements	20 - 30 years
Furniture and major equipment	3 - 10 years

#### *Deferred revenue*

Deferred revenue represents deposits received in advance for the subsequent year's fundraising events. These amounts are recognized as income in the period in which the event occurs, together with any associated costs.

#### *Contributed materials and services*

A number of volunteers contribute their services to the Foundation each year. Due to the difficulty of determining their fair value, these contributed services are not recognized or disclosed in the financial statement notes. Contributed materials are recorded at fair value when received.

#### *Use of estimates*

The preparation of these financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect revenue and expenses during the reporting period, in addition to the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include: capital asset depreciation and accruals.

### 4. Letter of credit

The Foundation has a letter of credit in the amount of \$41,315 (2009 - \$39,948) issued in respect of charitable lotteries conducted by the Foundation. The letter of credit is secured by bank balances in the amount of \$41,315 which are included in cash. As of March 31, 2010, no amounts have been applied against this letter of credit and as of May 1, 2010 the letter of credit has expired.

### 5. Investments

	2010		2009
	Cost	Fair value	Fair value
	\$	\$	\$
Cash and equivalents	243,919	243,919	6,931,151
Fixed income securities	3,413,479	3,563,676	1,232,670
Equity securities	5,437,386	6,139,067	969,781
	<b>9,094,784</b>	<b>9,946,662</b>	9,133,602

Investments are made up of \$615,096 short term, and \$9,331,566 long term, totaling \$9,946,662.

The weighted average life to maturity of fixed income securities is 5.8 years (2009 - 4.5 years). The market value of foreign investments is 26.7% of the total portfolio (2009 - 8.9%). During the current year, investment asset mix was reviewed and funds were reinvested according to the amended investment policy.

# Markham Stouffville Hospital Foundation

Notes to the financial statements

March 31, 2010

## 6. Capital assets

	2010			2009
	Cost	Accumulated amortization	Net book value	Restated Net book value
	\$	\$	\$	\$
Office improvements	289,882	285,066	4,816	142,886
Furniture and major equipment	176,177	151,052	25,125	29,003
	<b>466,059</b>	<b>436,118</b>	<b>29,941</b>	<b>171,889</b>

Due to the Markham Stouffville Hospital expansion project, it is expected that 11 Butternut Lane will be decommissioned during 2010/2011. As a result, the Foundation recognized an impairment loss on Office Improvements of \$131,647 during 2009/2010. This reflects a remaining useful life of 9 months for these assets as at March 31, 2010.

During the year the Foundation identified certain building improvements which had ceased to be of value in prior years but which had not been written down for financial reporting purposes. Consequently, a retrospective adjustment was made during the year which reduced the recorded cost of capital assets by \$76,801 and reduced related accumulated amortization by \$4,436. Fund balances of prior years were correspondingly reduced by \$81,237.

## 7. Related party transactions

- a) The note payable is an interest free commitment to reimburse Markham Stouffville Hospital for capital improvements made to 11 Butternut Lane. The total commitment was \$160,545 repayable in 60 monthly installments of \$2,676.

	2010	2009
	\$	\$
Interest free note payable	40,136	72,242
Less: current portion	(32,112)	(32,112)
Long-term portion	<b>8,024</b>	40,130

The following is a schedule of the required principal payments under the arrangement:

	\$
2011	32,112
2012	8,024

All related party transactions are in the normal course of operations and are measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties.

- b) Due to Markham Stouffville Hospital represents amounts payable in respect of the reimbursement of operating expenses of \$56,268 paid by the Hospital on behalf of the Foundation and the final 2010 disbursement of \$615,096 to the Hospital for a total of \$671,364 (2009 - \$84,580).
- c) During the year, the Foundation transferred funds of \$2,700,000 (2009 - \$2,090,000) to Markham Stouffville Hospital which included \$1,099,085 (2009 - \$788,097) from the externally restricted fund for the purchase of capital assets, \$1,565,291 (2009 - \$1,262,878) from unrestricted funds for the purchase of capital assets and the balance of \$35,624 (2009 - \$39,025) for ongoing educational programs and specific projects.

# Markham Stouffville Hospital Foundation

Notes to the financial statements

March 31, 2010

## 8. Special fundraising events - net

			2010	2009
	Externally restricted	Unrestricted	Total	Restated (Note 2)
	\$	\$	\$	\$
Revenue				
Gala	-	610,965	610,965	681,090
Golf tournament	-	178,761	178,761	205,925
Legacy run	-	217,462	217,462	260,333
Community events	94,286	363,461	457,747	438,746
	<b>94,286</b>	<b>1,370,649</b>	<b>1,464,935</b>	<b>1,586,094</b>
Expenses				
Gala	-	240,849	240,849	262,417
Golf tournament	-	42,539	42,539	52,827
Legacy run	-	92,950	92,950	113,743
	-	<b>376,338</b>	<b>376,338</b>	<b>428,987</b>
Net revenue	<b>94,286</b>	<b>994,311</b>	<b>1,088,597</b>	<b>1,157,107</b>

Community events are primarily run by third party fundraisers. Expenses incurred by third party fundraisers are at the risk of that fundraiser and are not included in these financial statements.

## 9. Investment income - net

Net investment income is made up of the following:

	2010	2009
	\$	\$
Interest income	343,735	247,478
(Loss)/gain on sale of investments	(3,349)	1,136,656
Investment management fees	(45,622)	(103,828)
	<b>294,764</b>	<b>1,280,306</b>

## 10. Pension plan

Substantially all the employees of the Foundation are members of the Hospital of Ontario Pension Plan ("HOOPP"), which is a multi-employer average pay contributory plan. Contributions to the Plan made during the year by the Foundation on behalf of its employees amounted to \$87,584 (2009 - \$93,187) and are included in employee benefits expense in the statement of operations.

## 11. Capital

The capital of the Foundation consists of the note payable and fund balances. The Foundation's objectives when managing this capital are to safeguard the Foundation's ability to continue as a going concern and raise funds to support the capital, education and other special projects of Markham Stouffville Hospital.

The note payable is an interest free commitment to Markham Stouffville Hospital. Monthly installments are made (Note 7(a)).

The Foundation has accumulated fund balances of \$9,268,242 (2009 - \$9,144,618).

# Markham Stouffville Hospital Foundation

## Notes to the financial statements

March 31, 2010

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### 12. Currency exchange

A portion of the Foundation's total investment portfolio is in foreign investments. The Foundation is exposed to foreign exchange fluctuations to the extent that these investments are denominated in foreign currencies.

### 13. Allocation of expenses

The Foundation reports its expenses by object in the statement of revenues and expenses. The following classifies these expenses by function:

	2010	2009
	Total	Total
	\$	\$
Campaign/Major and planned gifts	590,474	552,123
Events and annual gifts	1,082,395	886,216
Marketing and donor recognition	264,334	248,185
Administrative	451,377	522,601
	<b>2,388,580</b>	<b>2,209,125</b>

Allocation of expenses to the functions is done directly where possible and overhead and salary allocations are based on estimates.

### 14. Financial instruments and risk management

The Foundation, through its exposure to financial assets and liabilities has exposure to the following risks from its use of financial instruments: credit risk, market risk and interest rate risk.

#### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Foundation. The short-term interest bearing investments held by the Foundation have a limited exposure to interest rate risk due to their short-term maturity. The Foundation has formal policies and procedures that establish target asset mix, minimum credit ratings and varying terms of the securities held.

#### *Credit risk*

The Foundation's principal financial assets are cash, short-term investments, other receivables and long term investments, which are subject to credit risk. The carrying amounts of financial assets on the balance sheet represents the Foundation's maximum credit exposure at the balance sheet date.

The Foundation's credit risk is primarily attributable to its long term investments. The credit risk on cash, and short-term investments is limited since the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies.

#### *Market risk*

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Foundation to a risk of loss. The Foundation mitigates this risk through controls to monitor and limit concentration levels.

#### *Currency risk*

Currency risk is the risk to the Foundation's earnings that arise from fluctuations in foreign exchange rates and the degree of validity of these rates. The Foundation mitigates this risk through controls to monitor such rates.

# Markham Stouffville Hospital Foundation

Notes to the financial statements

March 31, 2010

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**14. Financial instruments and risk management (continued)**

*Fair value*

Establishing fair value

The fair value of cash, other receivables, accounts payable, accrued liabilities and due to Markham Stouffville Hospital approximates their carrying values due to their short-term maturity.

**15. Comparative figures**

Certain of the prior year amounts have been reclassified to conform to the current year's basis of presentation.