

Financial statements of

**Markham Stouffville
Hospital Foundation**

March 31, 2011

Markham Stouffville Hospital Foundation

March 31, 2011

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Independent Auditor's Report

To the Board of Directors of
Markham Stouffville Hospital Foundation

We have audited the accompanying financial statements of The Markham Stouffville Hospital Foundation, which comprise the statement of financial position as at March 31, 2011, 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 generally accepted accounting principles, 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

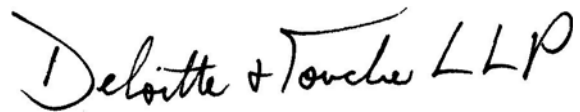
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 depend 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Markham Stouffville Hospital Foundation as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, flowing style.


Chartered Accountants
Licensed Public Accountants
June 23, 2011

Markham Stouffville Hospital Foundation

Statement of financial position as at March 31, 2011

	2011	2010
	\$	\$
Assets		
Cash	1,047,953	610,491
Investments (Note 5)	10,435,866	9,946,662
Prepaid expenses and receivables	80,150	56,251
Capital assets (Note 6)	22,935	29,941
	11,586,904	10,643,345
Liabilities		
Accounts payable and accrued liabilities	320,261	207,357
Note payable - current portion (Note 7(a))	-	32,112
Due to Markham Stouffville Hospital (Note 7(b))	124,937	671,364
Deferred revenue	682,638	456,246
	1,127,836	1,367,079
Note payable - long-term portion (Note 7(a))	-	8,024
	1,127,836	1,375,103
Fund balances		
Investment in capital assets	22,935	(10,195)
Externally restricted	3,698,141	2,759,996
Unrestricted	6,737,992	6,518,441
	10,459,068	9,268,242
	11,586,904	10,643,345

 Director

 Director

Markham Stouffville Hospital Foundation

Statement of operations
year ended March 31, 2011

	2011			2010
	Externally restricted	Unrestricted	Total	Total
	\$	\$	\$	\$
Revenue				
Donations	1,447,910	3,001,530	4,449,440	2,443,398
Planned gifts	-	94,553	94,553	189,985
Special fundraising events (Note 8)	57,827	1,939,406	1,997,233	1,464,935
Investment income - net (Note 9)	-	435,616	435,616	294,764
	1,505,737	5,471,105	6,976,842	4,393,082
Expenses				
Salaries and wages	-	1,143,267	1,143,267	1,077,489
Employee benefits	-	230,164	230,164	220,123
Special fundraising events (Note 8)	-	582,639	582,639	376,338
General and operating	-	454,651	454,651	285,737
Program specific	-	333,157	333,157	286,945
Amortization	-	7,006	7,006	141,948
	-	2,750,884	2,750,884	2,388,580
Excess of revenue over expenses before the undernoted	1,505,737	2,720,221	4,225,958	2,004,502
Fund transfer to Markham Stouffville Hospital (Note 7(c))	(567,592)	(3,007,408)	(3,575,000)	(2,700,000)
Excess of revenue over expenses and transfer of funds				
(expenses and transfer of funds over revenue) for the year	938,145	(287,187)	650,958	(695,498)

Markham Stouffville Hospital Foundation

Statement of changes in fund balances year ended March 31, 2011

				2011	2010
	Investment in capital assets	Externally restricted	Unrestricted	Total	Total
	\$	\$	\$	\$	\$
Fund balances, beginning of year	(10,195)	2,759,996	6,518,441	9,268,242	9,144,618
Excess of revenue over expenses and transfer of funds (expenses and transfer of funds over revenue) for the year	(7,006)	938,145	(280,181)	650,958	(695,498)
Realized loss on investments previously included in unrealized loss	-	-	-	-	3,350
Change in unrealized gains on investments	-	-	539,868	539,868	815,772
Repayment of note payable	40,136	-	(40,136)	-	-
Fund balances, end of year (Note 11)	22,935	3,698,141	6,737,992	10,459,068	9,268,242

Markham Stouffville Hospital Foundation

Statement of cash flows year ended March 31, 2011

	2011	2010
	\$	\$
Operating activities		
Excess of revenue over expenses and transfer of funds (expenses and transfer of funds over revenue) for the year	650,958	(695,498)
Items not affecting cash		
Amortization of capital assets	7,006	141,948
(Gain) / loss on sale of investments (Note 9)	(164,985)	3,349
	492,979	(550,201)
Changes in non-cash operating working capital items		
Prepaid expenses and receivables	(23,899)	16,142
Accounts payable and accrued liabilities	112,904	40,038
Due to Markham Stouffville Hospital	(546,427)	586,784
Deferred revenue	226,392	49,573
	261,949	142,336
Investing activities		
Disposal of investments, net	215,649	2,713
Financing activity		
Repayment of note payable	(40,136)	(32,106)
Net cash inflow	437,462	112,943
Cash, beginning of year	610,491	497,548
Cash, end of year	1,047,953	610,491

Markham Stouffville Hospital Foundation

Notes to the financial statements

March 31, 2011

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. 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.

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.

Markham Stouffville Hospital Foundation

Notes to the financial statements

March 31, 2011

2. Accounting policies (continued)

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, 2011 were \$11,947,027 (2010 - \$5,354,063).

Capital assets

Equipment and furnishings are recorded at cost or, in the cases of donated equipment; at Fair Market 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 amortization and accruals.

Markham Stouffville Hospital Foundation

Notes to the financial statements

March 31, 2011

3. Future accounting changes

In December 2010, the CICA issued a new accounting framework applicable to Not-for-Profit Organizations. Effective for fiscal years beginning on or after January 1, 2012 Not-for-Profit Organizations will have to choose between International Financial Reporting Standards ("IFRSs") and Canadian accounting standards for Not-for-Profit Organizations. Early adoption of these standards is permitted. The Foundation currently plans to adopt the new accounting standards for Not-for-Profit Organizations for its fiscal year beginning on April 1, 2012. The impact of transitioning to these new standards has not been determined.

4. Letter of credit

The Foundation has a letter of credit in the amount of \$46,712 (2010 - \$41,315) issued in respect of charitable lotteries conducted by the Foundation. The letter of credit is secured by bank balances in the amount of \$46,712 which are included in cash. As of March 31, 2011, no amounts have been applied against this letter of credit.

5. Investments

	2011	2011	2010	2010
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Cash and equivalents	134,586	155,494	243,919	243,919
Fixed income securities	3,283,079	3,788,220	3,413,479	3,563,676
Equity securities	5,626,455	6,492,152	5,437,386	6,139,067
	9,044,120	10,435,866	9,094,784	9,946,662

The weighted average life to maturity of fixed income securities is 4.77 years (2010 - 5.8 years).
The market value of foreign investments is 25.8% of the total portfolio (2010 - 26.7%).

6. Capital assets

	2011	2011	2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office improvements	-	-	-	4,816
Furniture and major equipment	176,177	(153,242)	22,935	25,125
	176,177	(153,242)	22,935	29,941

Markham Stouffville Hospital Foundation

Notes to the financial statements

March 31, 2011

7. Related party transactions

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.

- 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. The Foundation paid all outstanding obligations during 2010/11.

	2011	2010
	\$	\$
Interest free note payable	-	40,136
Less: current portion	-	(32,112)
Long-term portion	-	8,024

- b) Due to Markham Stouffville Hospital represents amounts payable in respect of the reimbursement of operating expenses of \$124,937 (2010 - \$56,268) paid by the Hospital on behalf of the Foundation and the final 2011 disbursement of \$Nil (2010 - \$615,096) to the Hospital for a total of \$124,937 (2010 - \$671,364).
- c) During the year, the Foundation transferred funds of \$3,575,000 (2010 - \$2,700,000) to Markham Stouffville Hospital which included \$567,592 (2010 - \$1,099,085) from the externally restricted fund for the purchase of capital assets, \$3,007,408 (2010 - \$1,565,291) from unrestricted funds for the purchase of capital assets and the balance of \$Nil (2010 - \$35,624) for ongoing educational programs and specific projects.

8. Special fundraising events – net

			2011	2010
	Externally restricted	Unrestricted	Total	Total
	\$	\$	\$	\$
Revenue				
Gala	-	712,727	712,727	610,965
Golf Tournament	-	275,397	275,397	178,761
Legacy 5K	-	246,824	246,824	217,462
Celebration of Hope	1,000	255,133	256,133	-
Community Events	56,827	449,325	506,152	457,747
	57,827	1,939,406	1,997,233	1,464,935
Expenses				
Gala	-	233,594	233,594	240,849
Golf Tournament	-	47,189	47,189	42,539
Legacy 5K	-	86,987	86,987	92,950
Celebration of Hope	-	152,884	152,884	-
Climb to Conquer	-	61,985	61,985	-
	-	582,639	582,639	376,338
Net revenue	57,827	1,356,767	1,414,594	1,088,597

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.

Markham Stouffville Hospital Foundation

Notes to the financial statements

March 31, 2011

9. Investment income – net

Net investment income is made up of the following:

	2011	2010
	\$	\$
Interest income	305,633	343,735
Gain / (loss) on sale of investments	164,985	(3,349)
Investment management fees	(35,002)	(45,622)
	435,616	294,764

10. Pension plan

Substantially all the employees of the Foundation are members of the Healthcare 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 \$94,686 (2010 - \$87,584) 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 Foundation has accumulated fund balances of \$10,459,068 (2010 - \$9,268,242).

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 (see Note 5).

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:

	2011	2010
	Total	Total
	\$	\$
Campaign/major and planned gifts	629,067	590,474
Events and annual gifts	1,275,600	1,082,395
Marketing and donor recognition	361,938	264,334
Administrative	484,279	451,377
	2,750,884	2,388,580

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

Markham Stouffville Hospital Foundation

Notes to the financial statements

March 31, 2011

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. These risks are managed and monitored in accordance with the Foundation's investment policy.

Fair value

Establishing fair value

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