

# **Markham Stouffville Hospital Foundation**

Financial Statements  
**March 31, 2014**



June 27, 2014

## **Independent Auditor's Report**

### **To the Members of Markham Stouffville Hospital Foundation**

We have audited the accompanying financial statements of Markham Stouffville Hospital Foundation, which comprise the statement of financial position as at March 31, 2014 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **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.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Markham Stouffville Hospital Foundation as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# Markham Stouffville Hospital Foundation

## Statement of Financial Position

As at March 31, 2014

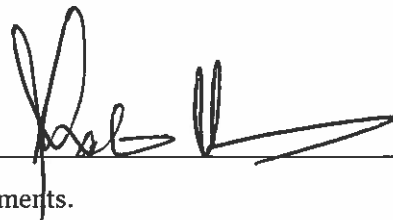
	2014 \$	2013 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	2,313,083	1,529,559
Prepaid expenses and receivables	63,625	84,954
	<u>2,376,708</u>	<u>1,614,513</u>
<b>Investments (note 4)</b>	13,085,951	10,602,509
<b>Capital assets (note 5)</b>	41,580	47,743
	<u>15,504,239</u>	<u>12,264,765</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	280,443	254,687
Due to Markham Stouffville Hospital (note 6(b))	104,259	125,007
Deferred revenue	32,500	202,850
	<u>417,202</u>	<u>582,544</u>
<b>Fund Balances</b>		
<b>Externally restricted</b>	1,660,637	2,017,637
<b>Unrestricted</b>	13,426,400	9,664,584
	<u>15,087,037</u>	<u>11,682,221</u>
	<u>15,504,239</u>	<u>12,264,765</u>

**Commitments (note 10)**

Approved by the Board of Directors



Director



Director

The accompanying notes are an integral part of these financial statements.

# Markham Stouffville Hospital Foundation

## Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2014

			<u>2014</u>	<u>2013</u>
	<u>Externally restricted \$</u>	<u>Unrestricted \$</u>	<u>Total \$</u>	<u>Total \$</u>
<b>Revenue</b>				
Donations	1,364,645	5,274,512	6,639,157	4,572,317
Planned gifts	-	3,108,537	3,108,537	2,089,667
Special fundraising events (note 8)	357,463	1,458,771	1,816,234	2,054,098
Investment income	-	379,705	379,705	165,497
	<u>1,722,108</u>	<u>10,221,525</u>	<u>11,943,633</u>	<u>8,881,579</u>
<b>Expenses</b>				
Salaries and wages	-	1,319,880	1,319,880	1,304,329
Employee benefits	-	272,591	272,591	255,833
Special fundraising events	-	510,668	510,668	542,168
General and operating	-	689,538	689,538	711,280
Program specific	-	366,207	366,207	304,418
Investment management fees	-	62,104	62,104	28,877
Amortization	-	16,412	16,412	5,471
	<u>-</u>	<u>3,237,400</u>	<u>3,237,400</u>	<u>3,152,376</u>
<b>Excess of revenue over expenses before the undernoted</b>	1,722,108	6,984,125	8,706,233	5,729,203
<b>Change in fair value of investments</b>	-	788,583	788,583	(49,519)
<b>Grants to Markham Stouffville Hospital (note 6(c))</b>	<u>(2,079,108)</u>	<u>(4,010,892)</u>	<u>(6,090,000)</u>	<u>(5,769,000)</u>
<b>Surplus (deficit) for the year</b>	(357,000)	3,761,816	3,404,816	(89,316)
<b>Fund balances - Beginning of year</b>	<u>2,017,637</u>	<u>9,664,584</u>	<u>11,682,221</u>	<u>11,771,537</u>
<b>Fund balances - End of year</b>	<u>1,660,637</u>	<u>13,426,400</u>	<u>15,087,037</u>	<u>11,682,221</u>

The accompanying notes are an integral part of these financial statements.

# Markham Stouffville Hospital Foundation

## Statement of Cash Flows

For the year ended March 31, 2014

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	2014 \$	2013 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Surplus (deficit) for the year	3,404,816	(89,316)
Items not affecting cash		
Amortization of capital assets	16,412	5,471
Change in fair value of investments	(788,583)	49,519
	<hr/> 2,632,645	<hr/> (34,326)
Changes in non-cash operating working capital items		
Prepaid expenses and receivables	21,329	52,216
Accounts payable and accrued liabilities	25,756	48,441
Due to Markham Stouffville Hospital	(20,748)	(73,791)
Deferred revenue	(170,350)	(186,188)
	<hr/> 2,488,632	<hr/> (193,648)
<b>Investing activities</b>		
Purchase of investments	(9,717,088)	(4,027,742)
Disposal of investments	8,022,229	4,307,502
Purchase of capital assets	(10,249)	(18,618)
	<hr/> (1,705,108)	<hr/> 261,142
<b>Changes in cash during the year</b>	783,524	67,494
<b>Cash - Beginning of year</b>	<hr/> 1,529,559	<hr/> 1,462,065
<b>Cash - End of year</b>	<hr/> <b>2,313,083</b>	<hr/> <b>1,529,559</b>

The accompanying notes are an integral part of these financial statements.

# Markham Stouffville Hospital Foundation

## Notes to Financial Statements

March 31, 2014

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### 1 Description of operations

Markham Stouffville Hospital Foundation (the Foundation or the organization) 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 (the Hospital).

### 2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) applied within the framework of the accounting policies summarized below.

#### 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 fundraising and administrative activities. This fund reports unrestricted resources available for immediate purposes.
- 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

Contributions and grants are recognized as revenue in the appropriate fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions and grants for which an appropriate fund does not exist will be initially deferred and then recognized as revenue in the year in which the related expenses are incurred. The Foundation recognizes revenue for special events in the year in which the event occurs.

Interest income is accrued as it is earned. It includes dividend and interest income.

#### Financial instruments

Financial instruments are recorded at fair value on initial recognition. Investments are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

Cash	fair value
Investments	fair value
Prepaid expenses and receivables	amortized cost
Accounts payable and accrued liabilities	amortized cost

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 on a straight-line basis.

# Markham Stouffville Hospital Foundation

## Notes to Financial Statements

March 31, 2014

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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 organization determines whether 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 organization expects to realize by exercising its right to any collateral. However, impairment losses previously recognized may be reversed if there is an event that indicates a decrease in the extent of impairment.

### **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, 2014 are \$13,300,529 (2013 - \$15,710,312).

### **Capital assets**

Capital assets are recorded at cost or, in the cases of donated capital assets, at fair value less accumulated amortization. When capital assets 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 furniture and major equipment on a straight-line basis over three to ten years based on the estimated useful lives of the assets.

### **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, if a fair value can be reasonably estimated.

### **Use of estimates**

In preparing the financial statements under ASNPO management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and fund balances and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses and changes in fund balances for the year. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the period in which they become known. Actual results could differ from those estimates.

## **3 Letter of credit**

The Foundation has a letter of credit in the amount of \$43,183 (2013 - \$43,183) issued in respect of charitable lotteries conducted by the Foundation. The letter of credit is secured by bank balances as of March 31, 2014; no amounts have been applied against this letter of credit.



# Markham Stouffville Hospital Foundation

## Notes to Financial Statements

March 31, 2014

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### 4 Investments

Investments consist of the following:

	2014 \$	2013 \$
Guaranteed investment certificate	2,500,000	2,100,000
Cash and cash equivalents	168,070	-
Balanced fund	9,158,869	995,152
Equities	26,660	324,300
Money market fund	1,232,352	7,183,057
	<hr/> 13,085,951	<hr/> 10,602,509

### 5 Capital assets

	<hr/> 2014		<hr/> 2013	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and major equipment	65,831	24,251	41,580	47,743

### 6 Related party transactions and balances

- a) The Hospital is an independent corporation without share capital and has an independent board of directors. The Hospital is affiliated with the Foundation as a result of there being some common board members between the two organizations.

The Hospital provides the Foundation's premises on a rent free basis, the value of which has not been recorded in the financial statements. The Hospital also provides certain services to the Foundation for a fee of \$35,000 per year, including payments for certain invoices and information technology systems support. The Hospital also provides payroll processing and charged the Foundation for employee costs in the amount of \$1,480,786 (2013 - \$1,435,297). In turn, the Foundation, in its ongoing fundraising activities, provides the Hospital with public relations services, the value of which has not been recorded in the financial statements. These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- b) Due to Markham Stouffville Hospital of \$104,259 (2013 - \$125,007) represents amounts payable for the reimbursement of operating expenses paid by the Hospital on behalf of the Foundation. These amounts are unsecured, non-interest bearing and due on demand.
- c) During the year, the Foundation transferred funds of \$6,090,000 (2013 - \$5,769,000) to the Markham Stouffville Hospital for the purchase of capital assets, which included \$2,079,108 (2013 - \$5,072,804) from the externally restricted fund and \$4,010,892 (2013 - \$696,196) from unrestricted funds.

# Markham Stouffville Hospital Foundation

## Notes to Financial Statements

March 31, 2014

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### 7 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 HOOPP made during the year by the Foundation on behalf of its employees amounted to \$100,570 (2013 - \$110,907) and are included in employee benefits expense in the statement of operations and changes in fund balances.

### 8 Gifts in kind

During 2014, the Foundation recorded contributed materials in the amount of \$441,408 (2013 - \$270,494).

### 9 Financial instruments and risk management

The Foundation is subject to market, currency, interest rate and credit risks with respect to its financial instruments. These risks are managed and monitored in accordance with the Foundation's investment policy.

#### 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.

#### 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 arises from fluctuations in foreign exchange rates on its investments and the degree of volatility of these rates.

#### Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk primarily through its investments with various financial institutions. Management considers the credit risk to be low as the Foundation only places its investments with reputable and financially stable organizations.

# Markham Stouffville Hospital Foundation

Notes to Financial Statements

March 31, 2014

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## 10 Commitments

The Foundation has entered into contracts with third parties with respect to fundraising and professional services. Total committed costs are as follows:

	\$
2015	154,867
2016	<u>14,377</u>
	<u>169,244</u>

## 11 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation of the current year's financial statements.