

Markham Stouffville Hospital Foundation

Financial Statements
March 31, 2015



June 23, 2015

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, 2015 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, 2015 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, 2015

	2015 \$	2014 \$
Assets		
Current assets		
Cash	1,767,548	2,313,083
Prepaid expenses and receivables	84,565	63,625
	<u>1,852,113</u>	<u>2,376,708</u>
Investments (note 4)	11,340,830	13,085,951
Capital assets (note 5)	32,951	41,580
	<u>13,225,894</u>	<u>15,504,239</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	411,256	280,443
Due to Markham Stouffville Hospital (note 6(b))	75,168	104,259
Deferred revenue (note 8)	342,189	32,500
	<u>828,613</u>	<u>417,202</u>
Fund Balances		
Externally restricted	476,764	1,660,637
Unrestricted	11,920,517	13,426,400
	<u>12,397,281</u>	<u>15,087,037</u>
	<u>13,225,894</u>	<u>15,504,239</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, 2015

			2015	2014
	Externally restricted \$	Unrestricted \$	Total \$	Total \$
Revenue				
Donations and planned gifts	2,528,697	2,289,069	4,817,766	9,747,694
Special fundraising events	149,386	1,158,051	1,307,437	1,816,234
Investment income	-	699,491	699,491	379,705
	<u>2,678,083</u>	<u>4,146,611</u>	<u>6,824,694</u>	<u>11,943,633</u>
Expenses				
Fundraising and administrative	-	2,778,276	2,778,276	2,664,628
Special fundraising events	-	391,975	391,975	510,668
Investment management fees	-	69,413	69,413	62,104
	<u>-</u>	<u>3,239,664</u>	<u>3,239,664</u>	<u>3,237,400</u>
Excess of revenue over expenses before the undernoted	2,678,083	906,947	3,585,030	8,706,233
Change in fair value of investments	-	348,452	348,452	788,583
Grants to Markham Stouffville Hospital (note 6(c))	<u>(3,861,956)</u>	<u>(2,761,282)</u>	<u>(6,623,238)</u>	<u>(6,090,000)</u>
Excess of revenue over grants and expenses (grants and expenses over revenue) for the year	(1,183,873)	(1,505,883)	(2,689,756)	3,404,816
Fund balances - Beginning of year	<u>1,660,637</u>	<u>13,426,400</u>	<u>15,087,037</u>	<u>11,682,221</u>
Fund balances - End of year	<u>476,764</u>	<u>11,920,517</u>	<u>12,397,281</u>	<u>15,087,037</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, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over grants and expenses (grants and expenses over revenue) for the year	(2,689,756)	3,404,816
Items not affecting cash		
Amortization of capital assets	8,629	16,412
Change in fair value of investments	(348,452)	(788,583)
	<u>(3,029,579)</u>	<u>2,632,645</u>
Changes in non-cash operating working capital items		
Prepaid expenses and receivables	(20,940)	21,329
Accounts payable and accrued liabilities	130,813	25,756
Due to Markham Stouffville Hospital	(29,091)	(20,748)
Deferred revenue	309,689	(170,350)
	<u>(2,639,108)</u>	<u>2,488,632</u>
Investing activities		
Purchases of investments	(840,846)	(3,794,859)
Disposals of investments	2,934,419	2,100,000
Purchase of capital assets	-	(10,249)
	<u>2,093,573</u>	<u>(1,705,108)</u>
Change in cash during the year	(545,535)	783,524
Cash - Beginning of year	2,313,083	1,529,559
Cash - End of year	1,767,548	2,313,083

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

Markham Stouffville Hospital Foundation

Notes to Financial Statements

March 31, 2015

1 Description of operations

Markham Stouffville Hospital Foundation (the Foundation) is incorporated under the Ontario Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act. The Foundation exists to enable the growth of Markham Stouffville Hospital (the Hospital) by raising funds and awareness to support capital and other special projects for its priorities and ongoing needs.

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 are recognized as revenue in the appropriate fund in the year received; unrestricted contributions are recorded in the unrestricted fund and those contributions restricted for specific purposes are recorded in the restricted fund. In the case of special events, contributions are initially deferred and recognized as revenue in the year in which the special event occurs.

Investment income is accrued as it is earned and includes dividends 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
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.

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Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset shall be written down and the resulting impairment loss shall be recognized in the statement of operations and changes in fund balances for the year.

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, 2015 for the Expansion Campaign are \$9,257,170 (2014 - \$13,300,529) and those expected for current initiatives are \$878,635 (2014 - \$nil). In the current year, the Foundation received \$2,276,891 of pledge payments relating to the Expansion Campaign.

Capital assets

Capital assets are recorded at cost or, in the case 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 goods and services

Volunteers make a substantial contribution of time each year to assist the Foundation in carrying out its fundraising activities. Due to the difficulty of determining the fair value, these contributions are not recorded in the financial statements.

Contributed goods and services are not recognized or disclosed in the financial statements. However, they are valued for the purposes of providing donors with charitable receipts if a fair value can be reasonably estimated, and to monitor the value of in-kind support that may otherwise be incurred as an expense by the Foundation.

Contributed securities

Gifts of publicly traded securities are recognized at fair value based on the closing published price on date of receipt when such information is available, or other estimated fair value as applicable.

Use of estimates

In preparing the financial statements in accordance 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.

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3 Letter of credit

The Foundation has a letter of credit in the amount of \$47,579 (2014 - \$43,183) issued in respect of charitable lotteries conducted by the Foundation. The letter of credit is secured by bank balances as at March 31, 2015; no amounts have been applied against this letter of credit.

4 Investments

Investments consist of the following:

	2015 \$	2014 \$
Guaranteed investment certificate	-	2,500,000
Cash and cash equivalents	12,345	168,070
Balanced pooled fund	9,701,006	9,158,869
Equities	-	26,660
Money market fund	1,627,479	1,232,352
	<u>11,340,830</u>	<u>13,085,951</u>

5 Capital assets

	<u>2015</u>		<u>2014</u>	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and major equipment	65,831	32,880	32,951	41,580

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 financial services, human resources and information technology systems support. The Hospital provided payroll processing and charged the Foundation for employee costs in the amount of \$nil (2014 - \$1,480,786).

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

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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) The amounts due to the Hospital of \$75,168 (2014 - \$104,259) represent 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 granted \$6,623,238 (2014 - \$6,090,000) to the Hospital for the purchase of capital assets, which included \$3,861,956 (2014 - \$2,079,108) from the externally restricted fund and \$2,761,282 (2014 - \$4,010,892) from unrestricted funds.

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 \$119,851 (2014 - \$100,570) and are included in employee benefits expense in the statement of operations and changes in fund balances.

8 Deferred revenue

	2015 \$	2014 \$
Balance - Beginning of year	32,500	202,850
Contributions received during the year	342,189	32,500
Amounts recognized as revenue	(32,500)	(202,850)
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Balance - End of year	342,189	32,500

Deferred revenue represents monies received relating to special events, which occur subsequent to year-end. As at March 31, 2015, deferred revenue represents monies received for the 2015 gala.

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.

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.

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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.

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

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 credit risk to be low as the Foundation only places its investments with reputable and financially stable organizations.

10 Commitments

The Foundation has entered into contracts with third parties with respect to fundraising and professional services. Total commitments for future payments as at March 31, 2015 are approximately \$98,826 for 2016 and \$6,346 for 2017.

11 Comparative figures

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