

# **Markham Stouffville Hospital Foundation**

Financial Statements  
**March 31, 2018**



June 21, 2018

## **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, 2018 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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*PricewaterhouseCoopers LLP  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215*



**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, 2018 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

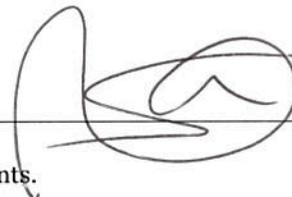
As at March 31, 2018

	2018 \$	2017 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	5,618,808	3,780,728
Prepaid expenses and receivables	168,633	64,554
	5,787,441	3,845,282
<b>Investments</b> (note 4(a))	16,654,171	15,496,707
<b>Capital assets</b> (note 5)	66,436	25,038
	<u>22,508,048</u>	<u>19,367,027</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	387,836	331,303
Due to Markham Stouffville Hospital (note 6(b))	6,297	59,308
Deferred revenue (note 8)	531,007	255,500
	<u>925,140</u>	<u>646,111</u>
<b>Fund Balances</b>		
<b>Externally restricted</b>	2,677,400	2,267,228
<b>Unrestricted</b>	18,905,508	16,453,688
	<u>21,582,908</u>	<u>18,720,916</u>
	<u>22,508,048</u>	<u>19,367,027</u>
<b>Commitments</b> (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, 2018

			<u>2018</u>	<u>2017</u>
	<u>Externally restricted \$</u>	<u>Unrestricted \$</u>	<u>Total \$</u>	<u>Total \$</u>
<b>Revenue</b>				
Donations and planned gifts	2,742,521	5,061,843	7,804,364	7,363,329
Special fundraising events	607,321	1,412,499	2,019,820	1,529,469
	<u>3,349,842</u>	<u>6,474,342</u>	<u>9,824,184</u>	<u>8,892,798</u>
<b>Expenses</b>				
Fundraising and administrative	-	3,043,455	3,043,455	2,931,636
Special fundraising events	-	512,196	512,196	415,532
	<u>-</u>	<u>3,555,651</u>	<u>3,555,651</u>	<u>3,347,168</u>
<b>Excess of revenue over expenses before the undernoted</b>	<u>3,349,842</u>	<u>2,918,691</u>	<u>6,268,533</u>	<u>5,545,630</u>
<b>Investment income</b>				
Investment income (note 4(b))	-	680,889	680,889	1,571,911
Investment management fees	-	(79,316)	(79,316)	(74,722)
	<u>-</u>	<u>601,573</u>	<u>601,573</u>	<u>1,497,189</u>
<b>Excess of revenue over expenses before grants</b>	<u>3,349,842</u>	<u>3,520,264</u>	<u>6,870,106</u>	<u>7,042,819</u>
<b>Grants to Markham Stouffville Hospital (note 6(c))</b>	<u>(2,939,670)</u>	<u>(1,068,444)</u>	<u>(4,008,114)</u>	<u>(4,421,158)</u>
<b>Excess of revenue over expenses and grants for the year</b>	<u>410,172</u>	<u>2,451,820</u>	<u>2,861,992</u>	<u>2,621,661</u>
<b>Fund balances - Beginning of year</b>	<u>2,267,228</u>	<u>16,453,688</u>	<u>18,720,916</u>	<u>16,099,255</u>
<b>Fund balances - End of year</b>	<u>2,677,400</u>	<u>18,905,508</u>	<u>21,582,908</u>	<u>18,720,916</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, 2018

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	2018 \$	2017 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses and grants for the year	2,861,992	2,621,661
Items not affecting cash		
Reinvested investment income	(250,522)	(203,274)
Amortization of capital assets	9,385	8,257
Change in fair value of investments	(267,224)	(1,242,972)
	<hr/> 2,353,631	<hr/> 1,183,672
Changes in non-cash operating working capital items		
Prepaid expenses and receivables	(104,079)	18,578
Accounts payable and accrued liabilities	56,533	(13,489)
Due to Markham Stouffville Hospital	(56,720)	43,507
Deferred revenue	275,507	206,625
	<hr/> 2,524,872	<hr/> 1,438,893
<b>Investing activities</b>		
Contributions to investment portfolio	(639,718)	(2,629,985)
Purchase of capital assets	(47,074)	(8,702)
	<hr/> (686,792)	<hr/> (2,638,687)
<b>Change in cash during the year</b>	1,838,080	(1,199,794)
<b>Cash - Beginning of year</b>	<hr/> 3,780,728	<hr/> 4,980,522
<b>Cash - End of year</b>	<hr/> <hr/> 5,618,808	<hr/> <hr/> 3,780,728

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

# Markham Stouffville Hospital Foundation

## Notes to Financial Statements

March 31, 2018

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### 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 externally 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 externally 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

Investment income is accrued as it is earned and includes dividends, interest income and change in fair value of investments.

#### 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

# Markham Stouffville Hospital Foundation

## Notes to Financial Statements

March 31, 2018

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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.

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, 2018 are \$8,587,895 (2017 - \$6,712,535). In the current year, the Foundation received \$2,616,602 of pledge payments.

### **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 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 the 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 with 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.

# Markham Stouffville Hospital Foundation

## Notes to Financial Statements

March 31, 2018

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### 3 Letter of credit

The Foundation has a letter of credit in the amount of \$112,885 (2017 - \$nil) issued in respect of charitable lotteries conducted by the Foundation. The letter of credit is secured by bank balances as at year-end; no amounts have been applied against this letter of credit.

### 4 Investments

a) Investments consist of the following:

	2018 \$	2017 \$
Cash and cash equivalents	22,441	29,951
Balanced pooled fund	11,674,574	11,124,028
Money market fund	4,957,156	4,342,728
	<u>16,654,171</u>	<u>15,496,707</u>

b) Investment income is made up of the following:

	2018 \$	2017 \$
Interest	127,734	61,627
Dividends	285,931	267,312
Change in fair value of investments	267,224	1,242,972
	<u>680,889</u>	<u>1,571,911</u>

### 5 Capital assets

	<u>2018</u>		<u>2017</u>	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and equipment	121,607	58,880	62,727	25,038

### 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.

# Markham Stouffville Hospital Foundation

## Notes to Financial Statements

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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 are 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) The amounts due to the Hospital of \$2,588 (2017 - \$59,308) 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 \$4,008,114 (2017 - \$4,421,158) to the Hospital for the purchase of capital assets, which included \$2,939,670 (2017 - \$2,881,609) from the externally restricted fund and \$1,068,444 (2017 - \$1,539,549) from the unrestricted fund.

### 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 \$130,317 (2017 - \$111,273) and are included in fundraising and administrative expenses in the statement of operations and changes in fund balances.

### 8 Deferred revenue

	2018 \$	2017 \$
Balance - Beginning of year	255,500	48,875
Contributions received during the year	531,007	255,500
Amounts recognized as revenue	(255,500)	(48,875)
	<hr/>	<hr/>
Balance - End of year	531,007	255,500

Deferred revenue represents monies received relating to special events, which occur subsequent to year-end. As at March 31, 2018, deferred revenue represents monies received for South Asian Gala, Stouffville Gala and Trek Everest.

### 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.

# Markham Stouffville Hospital Foundation

## Notes to Financial Statements

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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 are as follows:

	\$
2019	60,052
2020	60,052
2021	16,192
2022	16,192
2023	14,032
	<hr/>
	166,520
	<hr/>

## 11 Comparative figures

Certain prior year figures have been reclassified to conform to the current year's financial statement presentation.