

# **Markham Stouffville Hospital Foundation**

Financial Statements  
**March 31, 2012**



June 27, 2012

## **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, 2012 and the statements of operations, 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 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.

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*PricewaterhouseCoopers LLP, Chartered Accountants  
North American Centre, 5700 Yonge Street, Suite 1900, North York, Ontario, Canada M2M 4K7  
T: +1 416 218 1500, F: +1 416 218 1499*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**Other matter**

The financial statements of Markham Stouffville Hospital Foundation for the year ended March 31, 2011, were audited by another auditor who expressed an unqualified opinion on those statements dated June 23, 2011.

*PricewaterhouseCoopers LLP*

**Chartered Accountants, Licensed Public Accountants**

# Markham Stouffville Hospital Foundation

## Statement of Financial Position

As at March 31, 2012

	2012 \$	2011 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,462,065	1,047,953
Prepaid expenses and receivables	137,170	80,150
	<u>1,599,235</u>	<u>1,128,103</u>
<b>Investments</b> (note 5)	10,931,788	10,435,866
<b>Capital assets</b> (note 6)	34,596	22,935
	<u>12,565,619</u>	<u>11,586,904</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	206,246	320,261
Due to Markham Stouffville Hospital (note 7(a))	198,798	124,937
Deferred revenue	389,038	682,638
	<u>794,082</u>	<u>1,127,836</u>
<b>Fund Balances</b>		
<b>Investment in capital assets</b>	34,596	22,935
<b>Externally restricted</b>	4,501,145	3,698,141
<b>Unrestricted</b>	7,235,796	6,737,992
	<u>11,771,537</u>	<u>10,459,068</u>
	<u>12,565,619</u>	<u>11,586,904</u>

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 Changes in Fund Balances

For the year ended March 31, 2012

				<u>2012</u>	<u>2011</u>
	<b>Investment in capital assets \$</b>	<b>Externally restricted \$</b>	<b>Unrestricted \$</b>	<b>Total \$</b>	<b>Total \$</b>
<b>Balance - Beginning of year</b>	22,935	3,698,141	6,737,992	10,459,068	9,268,242
Excess of revenue over expenses and grants (expenses and grants over revenue) for the year	(2,368)	803,004	1,903,405	2,704,041	650,958
Purchase of capital assets	14,029	-	(14,029)	-	-
Change in unrealized gains (losses) on investments	-	-	(1,391,572)	(1,391,572)	539,868
<b>Balance - End of year</b>	<u>34,596</u>	<u>4,501,145</u>	<u>7,235,796</u>	<u>11,771,537</u>	<u>10,459,068</u>

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

# Markham Stouffville Hospital Foundation

## Statement of Operations

For the year ended March 31, 2012

			<u>2012</u>	<u>2011</u>
	<u>Externally restricted \$</u>	<u>Unrestricted \$</u>	<u>Total \$</u>	<u>Total \$</u>
<b>Revenue</b>				
Donations	2,550,820	3,981,481	6,532,301	4,449,440
Planned gifts	18,233	299,028	317,261	94,553
Special fundraising events (note 8)	530,569	2,221,522	2,752,091	1,997,233
Investment income - net (note 9)	-	564,823	564,823	435,616
	<u>3,099,622</u>	<u>7,066,854</u>	<u>10,166,476</u>	<u>6,976,842</u>
<b>Expenses</b>				
Salaries and wages	-	1,280,324	1,280,324	1,143,267
Employee benefits	-	269,503	269,503	230,164
Special fundraising events (note 8)	-	608,650	608,650	582,639
General and operating	-	648,548	648,548	454,651
Program specific	-	353,042	353,042	333,157
Amortization	-	2,368	2,368	7,006
	<u>-</u>	<u>3,162,435</u>	<u>3,162,435</u>	<u>2,750,884</u>
<b>Excess of revenue over expenses before the undernoted</b>	3,099,622	3,904,419	7,004,041	4,225,958
<b>Grants to Markham Stouffville Hospital</b> (note 7(b))	<u>(2,296,618)</u>	<u>(2,003,382)</u>	<u>(4,300,000)</u>	<u>(3,575,000)</u>
<b>Excess of revenue over expenses and grants for the year</b>	<u>803,004</u>	<u>1,901,037</u>	<u>2,704,041</u>	<u>650,958</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, 2012

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	2012 \$	2011 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses and grants for the year	2,704,041	650,958
Items not affecting cash		
Amortization of capital assets	2,368	7,006
Gain on sale of investments (note 9)	(387,347)	(164,985)
	2,319,062	492,979
Changes in non-cash operating working capital items		
Prepaid expenses and receivables	(57,020)	(23,899)
Accounts payable and accrued liabilities	(114,015)	112,904
Due to Markham Stouffville Hospital	73,861	(546,427)
Deferred revenue	(293,600)	226,392
	1,928,288	261,949
<b>Investing activities</b>		
Change in investments - net	(1,500,147)	215,649
Purchase of capital assets	(14,029)	-
	(1,514,176)	215,649
<b>Financing activities</b>		
Repayment of note payable	-	(40,136)
<b>Changes in cash during the year</b>	414,112	437,462
<b>Cash - Beginning of year</b>	1,047,953	610,491
<b>Cash - End of year</b>	1,462,065	1,047,953

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

# Markham Stouffville Hospital Foundation

## Notes to Financial Statements

March 31, 2012

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### 1 Description of operations

Markham Stouffville Hospital Foundation (the 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 (the Hospital).

### 2 Summary of significant 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 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

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. All income earned through investments is recognized as revenue in 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 receivables	loans and receivables	amortized cost
Accounts payable and accrued liabilities	other liabilities	amortized cost
Due to Markham Stouffville Hospital	other liabilities	amortized cost

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

# Markham Stouffville Hospital Foundation

## Notes to Financial Statements

March 31, 2012

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- 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

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

- 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 in foreign exchange related to available-for-sale financial instruments is also recognized in the statement of changes in fund balances and transferred to the statement of operations when the asset is sold. Impairment writedowns relating to available-for-sale financial instruments are immediately recognized in the statement of operations.

### 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, 2012 were \$15,694,169 (2011 - \$11,947,027).

### Capital assets

Equipment and furnishings are recorded at cost or, in the cases 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.

# Markham Stouffville Hospital Foundation

## Notes to Financial Statements

March 31, 2012

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### 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.

### 3 Future accounting changes

In December 2010, The Canadian Institute of Chartered Accountants 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 (IFRS) 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 \$49,714 (2011 - \$46,712) issued in respect of charitable lotteries conducted by the Foundation. The letter of credit is secured by bank balances as of March 31, 2012; no amounts have been applied against this letter of credit.

### 5 Investments

	2012 \$	2011 \$
Cash and equivalents	10,931,788	155,494
Fixed income securities	-	3,788,220
Equity securities	-	6,492,152
	<hr/> 10,931,788	<hr/> 10,435,866

### 6 Capital assets

	<hr/> 2012		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and major equipment	36,964	2,368	<hr/> 34,596

# Markham Stouffville Hospital Foundation

## Notes to Financial Statements

March 31, 2012

	<b>2011</b>		
	<b>Cost \$</b>	<b>Accumulated amortization \$</b>	<b>Net \$</b>
Furniture and major equipment	176,177	153,242	22,935

### 7 Related party transactions

- a) Due to Markham Stouffville Hospital represents amounts payable in respect of the reimbursement of operating expenses of \$198,798 (2011 - \$124,937) paid by the Hospital on behalf of the Foundation.
- b) During the year, the Foundation transferred funds of \$4,300,000 (2011 - \$3,575,000) to the Markham Stouffville Hospital, which included \$2,296,618 (2011 - \$567,592) from the externally restricted fund for the purchase of capital assets, and \$2,003,382 (2011 - \$3,007,408) from unrestricted funds for the purchase of capital assets.

### 8 Special fundraising events - net revenue

	<b>2012</b>			<b>2011</b>
	<b>Externally restricted \$</b>	<b>Unrestricted \$</b>	<b>Total \$</b>	<b>Total \$</b>
<b>Revenue</b>				
Gala	-	733,291	733,291	712,727
Golf tournament	-	266,404	266,404	275,397
Legacy 5K	-	174,363	174,363	246,824
Celebration of Hope	80,150	201,037	281,187	256,133
Community events	448,019	115,132	563,151	506,152
Climb to Conquer	2,400	644,151	646,551	-
MSH Leaders	-	87,144	87,144	-
	530,569	2,221,522	2,752,091	1,997,233
<b>Expenses</b>				
Gala	-	232,284	232,284	233,594
Golf tournament	-	45,374	45,374	47,189
Legacy 5K	-	32,169	32,169	86,987
Celebration of Hope	-	125,114	125,114	152,884
Climb to Conquer	-	150,409	150,409	61,985
MSH Leaders	-	23,300	23,300	-
	-	608,650	608,650	582,639
<b>Net revenue</b>	530,569	1,612,872	2,143,441	1,414,594

# Markham Stouffville Hospital Foundation

## Notes to Financial Statements

March 31, 2012

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Community events are primarily run by third party fundraisers. The Foundation recognized revenue for the community events based on the donations submitted by the third party fundraisers. Accordingly, the Foundation incurs no expenses related to those events.

### 9 Investment income - net

Net investment income is made up of the following:

	2012 \$	2011 \$
Interest income	219,766	305,633
Gain on sale of investments	387,347	164,985
Investment management fees	(42,290)	(35,002)
	<hr/> 564,823	<hr/> 435,616

### 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 HOOPP made during the year by the Foundation on behalf of its employees amounted to \$101,533 (2011 - \$94,686) and are included in employee benefits expense in the statement of operations.

### 11 Fund balances

The Foundation's objectives when managing fund balances 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 the Markham Stouffville Hospital.

The Foundation considers its capital to comprise the unrestricted and restricted funds. This capital is invested in accordance with the Foundation's investment policy. The Foundation also has external restrictions in connection with its restricted funds. These restrictions are monitored and the Foundation is currently of the opinion that it is in compliance with these external restrictions.

### 12 Allocation of expenses

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

	2012 \$	2011 \$
Campaign/major and planned gifts	702,306	629,067
Events and annual gifts	1,375,261	1,275,600
Marketing and donor recognition	607,800	361,938
Administrative	477,068	484,279
	<hr/> 3,162,435	<hr/> 2,750,884

# **Markham Stouffville Hospital Foundation**

## Notes to Financial Statements

**March 31, 2012**

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Allocation of expenses to the functions is done directly where possible; overhead and salary allocations are based on estimates of the number of staff allocated to each function.

### **13 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: interest rate risk, credit risk, market risk and currency 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 statement of financial position represent the Foundation's maximum credit exposure at the statement of financial position 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 volatility of these rates. These risks are managed and monitored in accordance with the Foundation's investment policy.