

Markham Stouffville Hospital Foundation

Financial Statements
March 31, 2013 and March 31, 2012



June 20, 2013

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 statements of financial position as at March 31, 2013 and March 31, 2012 and the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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 statement.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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"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, 2013 and March 31, 2012 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative information

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes that Markham Stouffville Hospital Foundation adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012, with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011 and the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012 and related disclosures. We were not engaged to report on the statement of financial position as at April 1, 2011 and, as such, it is unaudited.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Markham Stouffville Hospital Foundation
Statements of Financial Position

	March 31, 2013 \$	March 31, 2012 \$	April 1, 2011 \$
Assets			
Current assets			
Cash	1,529,559	1,462,065	1,047,953
Prepaid expenses and receivables	84,954	137,170	80,150
	<u>1,614,513</u>	<u>1,599,235</u>	<u>1,128,103</u>
Investments (note 5)	10,602,509	10,931,788	10,435,866
Capital assets (note 6)	<u>47,743</u>	<u>34,596</u>	<u>22,935</u>
	<u><u>12,264,765</u></u>	<u><u>12,565,619</u></u>	<u><u>11,586,904</u></u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	254,687	206,246	320,261
Due to Markham Stouffville Hospital (note 7(a))	125,007	198,798	124,937
Deferred revenue	202,850	389,038	682,638
	<u>582,544</u>	<u>794,082</u>	<u>1,127,836</u>
Fund Balances			
Externally restricted	2,017,637	4,501,145	3,698,141
Unrestricted	<u>9,664,584</u>	<u>7,270,392</u>	<u>6,760,927</u>
	<u>11,682,221</u>	<u>11,771,537</u>	<u>10,459,068</u>
	<u>12,264,765</u>	<u>12,565,619</u>	<u>11,586,904</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

Statements of Operations and Changes in Fund Balances

For the years ended March 31, 2013 and March 31, 2012

	March 31, 2013			March 31, 2012		
	Externally restricted \$	Unrestricted \$	Total \$	Externally restricted \$	Unrestricted \$	Total \$
Revenue						
Donations	2,269,033	2,303,284	4,572,317	2,550,820	3,981,481	6,532,301
Planned gifts	5,000	2,084,667	2,089,667	18,233	299,028	317,261
Special fundraising events	315,263	1,738,835	2,054,098	530,569	2,221,522	2,752,091
Interest income	-	165,497	165,497	-	219,766	219,766
	<u>2,589,296</u>	<u>6,292,283</u>	<u>8,881,579</u>	<u>3,099,622</u>	<u>6,721,797</u>	<u>9,821,419</u>
Expenses						
Salaries and wages	-	1,304,329	1,304,329	-	1,280,324	1,280,324
Employee benefits	-	255,833	255,833	-	269,503	269,503
Special fundraising events	-	542,168	542,168	-	608,650	608,650
General and operating	-	711,280	711,280	-	648,548	648,548
Program specific	-	304,418	304,418	-	353,042	353,042
Investment management fees	-	28,877	28,877	-	42,290	42,290
Amortization	-	5,471	5,471	-	2,368	2,368
	<u>-</u>	<u>3,152,376</u>	<u>3,152,376</u>	<u>-</u>	<u>3,204,725</u>	<u>3,204,725</u>
Excess of revenue over expenses before the undernoted	2,589,296	3,139,907	5,729,203	3,099,622	3,517,072	6,616,694
Change in fair value of investments	-	(49,519)	(49,519)	-	(1,004,225)	(1,004,225)
Grants to Markham Stouffville Hospital (note 7(c))	(5,072,804)	(696,196)	(5,769,000)	(2,296,618)	(2,003,382)	(4,300,000)
Surplus (deficit) for the year	(2,483,508)	2,394,192	(89,316)	803,004	509,465	1,312,469
Fund balances - Beginning of year	4,501,145	7,270,392	11,771,537	3,698,141	6,760,927	10,459,068
Fund balances - End of year	<u>2,017,637</u>	<u>9,664,584</u>	<u>11,682,221</u>	<u>4,501,145</u>	<u>7,270,392</u>	<u>11,771,537</u>

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

Markham Stouffville Hospital Foundation

Statements of Cash Flows

For the years ended March 31, 2013 and March 31, 2012

	2013 \$	2012 \$
Cash provided by (used in)		
Operating activities		
Surplus (deficit) for the year	(89,316)	1,312,469
Items not affecting cash		
Amortization of capital assets	5,471	2,368
Change in fair value of investments	49,519	1,004,225
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	(34,326)	2,319,062
Changes in non-cash operating working capital items		
Prepaid expenses and receivables	52,216	(57,020)
Accounts payable and accrued liabilities	48,441	(114,015)
Due to Markham Stouffville Hospital	(73,791)	73,861
Deferred revenue	(186,188)	(293,600)
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	(193,648)	1,928,288
Investing activities		
Purchase of investments	(2,786,240)	(2,050,147)
Disposal of investments	3,066,000	550,000
Purchase of capital assets	(18,618)	(14,029)
	<hr/>	<hr/>
	261,142	(1,514,176)
Changes in cash during the year	67,494	414,112
Cash - Beginning of year	<hr/>	<hr/>
	1,462,065	1,047,953
Cash - End of year	<hr/>	<hr/>
	1,529,559	1,462,065

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

Markham Stouffville Hospital Foundation

Notes to Financial Statements

March 31, 2013 and March 31, 2012

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 Transition to Canadian accounting standards for not-for-profit organizations (ASNPO)

Effective April 1, 2012, the organization elected to adopt ASNPO (Part III of The Canadian Institute of Chartered Accountants Handbook), as issued by the Canadian Accounting Standards Board. Subject to certain transition elections, the accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect.

The organization has utilized the following transitional exemption on adoption of ASNPO:

- In accordance with the ASNPO transitional provisions, the organization has elected to measure its investments at fair value, with subsequent changes in fair value to be recognized in the statement of operations.

There were no adjustments to the opening fund balances on April 1, 2011. The transition from Canadian generally accepted accounting principles to ASNPO had no significant impact on cash flows generated by the organization.

The organization recorded the following adjustment to the statement of operations and changes in fund balances for investments previously classified as available-for-sale for the year ended March 31, 2012:

	\$
Surplus for the year ended March 31, 2012, as previously reported	2,704,041
Unrealized losses on investments previously recorded in net assets	<u>(1,391,572)</u>
Surplus for the year ended March 31, 2012, as restated	<u>1,312,469</u>

3 Summary of significant accounting policies

These financial statements have been prepared in accordance with 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:

Markham Stouffville Hospital Foundation

Notes to Financial Statements

March 31, 2013 and March 31, 2012

- 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.

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, 2013 were \$15,710,312 (2012 - \$15,694,169).

Markham Stouffville Hospital Foundation

Notes to Financial Statements

March 31, 2013 and March 31, 2012

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 3 to 10 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.

Use of estimates

In preparing the financial statements 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.

4 Letter of credit

The Foundation has a letter of credit in the amount of \$43,183 (2012 - \$49,714) issued in respect of charitable lotteries conducted by the Foundation. The letter of credit is secured by bank balances as of March 31, 2013; no amounts have been applied against this letter of credit.

5 Investments

Investments consist of the following:

	2013	2012
	\$	\$
Guaranteed investment certificate	2,100,000	-
Balanced fund	995,152	-
Equities	324,300	7,008
Money market fund	7,183,057	10,924,780
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	10,602,509	10,931,788
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Markham Stouffville Hospital Foundation

Notes to Financial Statements

March 31, 2013 and March 31, 2012

6 Capital assets

	2013		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and major equipment	55,582	7,839	47,743

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

7 Related party transactions and balances

- a) The Hospital, which is affiliated with the Foundation, is an independent corporation without share capital and has an independent board of directors. 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 in the amount of \$1,435,297 (2012 - \$1,470,310). 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 \$125,007 (2012 - \$198,798) 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 \$5,769,000 (2012 - \$4,300,000) to the Markham Stouffville Hospital, which included \$5,072,804 (2012 - \$2,296,618) from the externally restricted fund for the purchase of capital assets, and \$696,196 (2012 - \$2,003,382) from unrestricted funds for the purchase of capital assets.

8 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 \$110,907 (2012 - \$101,533) and are included in employee benefits expense in the statements of operations and changes in fund balances.

Markham Stouffville Hospital Foundation

Notes to Financial Statements

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9 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. 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 arise 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.

10 Commitments

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

	\$
2014	156,744
2015	11,715
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	168,459
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