

Financial statements of

Mackenzie Health Foundation

March 31, 2016

Mackenzie Health Foundation

March 31, 2016

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Independent Auditor's Report

To the Members of
Mackenzie Health Foundation

We have audited the accompanying financial statements of Mackenzie Health Foundation (the "Foundation"), which comprise the balance sheet as at March 31, 2016, the statements of operations and changes in fund balances and cash flows for the year then ended, and 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2016 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 22, 2016

Mackenzie Health Foundation

Balance sheet
as at March 31, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,879,192	822,969
Accounts receivable	178,206	146,100
Prepaid expenses and deposits	118,016	22,938
	2,175,414	992,007
Investments (Note 3 (a))	23,660,811	20,797,348
	25,836,225	21,789,355
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	455,710	363,350
Due to Mackenzie Health	-	2,237
Deferred revenue	204,615	177,233
	660,325	542,820
Fund balances		
Restricted funds (Note 4)	24,815,555	21,020,150
Operations fund	360,345	226,385
	25,175,900	21,246,535
	25,836,225	21,789,355

Approved by the Board

Director

Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Mackenzie Health Foundation

Statement of operations and changes in fund balances year ended March 31, 2016

	Operations Fund		Restricted Funds		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Revenue						
Campaigns	-	-	4,003,172	2,509,661	4,003,172	2,509,661
Major gifts and planned giving	76,004	44,878	1,604,837	1,432,999	1,680,841	1,477,877
Special events	2,607,005	1,945,946	459,052	929,779	3,066,057	2,875,725
Annual giving	567,352	562,750	177,036	363,849	744,388	926,599
	3,250,361	2,553,574	6,244,097	5,236,288	9,494,458	7,789,862
Administrative expenses						
Special events	642,164	515,915	20,348	50,652	662,512	566,567
Compensation	2,140,921	1,830,733	-	-	2,140,921	1,830,733
Professional fees	229,473	262,801	-	-	229,473	262,801
Fundraising	748,243	708,805	-	-	748,243	708,805
Office and general	137,542	120,029	-	-	137,542	120,029
Donor recognition program	31,383	32,283	-	-	31,383	32,283
Technology support	62,401	32,227	-	-	62,401	32,227
Rent	80,615	83,101	-	-	80,615	83,101
Professional development	23,862	18,885	-	-	23,862	18,885
	4,096,604	3,604,779	20,348	50,652	4,116,952	3,655,431
Excess (deficiency) of revenue over expenses before the undernoted	(846,243)	(1,051,205)	6,223,749	5,185,636	5,377,506	4,134,431
Investment income (Note 3 (b))	254,131	1,239,984	133,527	667,042	387,658	1,907,026
Excess (deficiency) of revenue over expenses before grant to Mackenzie Health	(592,112)	188,779	6,357,276	5,852,678	5,765,164	6,041,457
Grant to Mackenzie Health (Note 6)	70,411	29,750	1,765,388	3,844,877	1,835,799	3,874,627
Excess (deficiency) of revenue over expenses	(662,523)	159,029	4,591,888	2,007,801	3,929,365	2,166,830
Fund balances, beginning of year	226,385	(805,254)	21,020,150	19,884,959	21,246,535	19,079,705
Interfund transfers (Note 9)	796,483	872,610	(796,483)	(872,610)	-	-
Fund balances, end of year	360,345	226,385	24,815,555	21,020,150	25,175,900	21,246,535

The accompanying notes to the financial statements are an integral part of this financial statement.

Mackenzie Health Foundation

Statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses		
Operations fund	(662,523)	159,029
Restricted funds	4,591,888	2,007,801
	3,929,365	2,166,830
Items not affecting cash		
Contributions for endowment	(74,920)	(278,876)
Unrealized loss (gain) included in investment income	949,418	(964,906)
Realized (gain) included in investment income	(233,651)	(197,944)
	4,570,212	725,104
Changes in non-cash operating items		
Accounts receivable	(32,106)	24,373
Prepaid expenses and deposits	(95,078)	2,445
Accounts payable and accrued liabilities	92,360	19,249
Due to Mackenzie Health	(2,237)	(5,321)
Grants due to Mackenzie Health	-	(22,617)
Deferred revenue	27,382	88,070
	4,560,533	831,303
Investing activities		
Proceeds from sale of investments	2,029,213	7,104,743
Purchases of investments	(5,608,443)	(8,732,154)
	(3,579,230)	(1,627,411)
Financing activity		
Contributions for endowment	74,920	278,876
Net cash inflow (outflow)	1,056,223	(517,232)
Cash and cash equivalents, beginning of year	822,969	1,340,201
Cash and cash equivalents, end of year	1,879,192	822,969

The accompanying notes to the financial statements are an integral part of this financial statement.

Mackenzie Health Foundation

Notes to the financial statements

March 31, 2016

1. Description of the Foundation

The mandate of Mackenzie Health Foundation (the "Foundation") is to conduct fundraising activities on behalf of Mackenzie Health (the "Hospital") to secure the resources necessary to realize its vision of creating a world-class health experience. The Foundation's expanded role includes initiating a major comprehensive capital campaign to raise the community portion of funding to build and equip the future Mackenzie Vaughan Hospital, as well as attracting donations to support the advancement of patient care at Mackenzie Richmond Hill Hospital. The Foundation is a registered charity under the Income Tax Act and, as such, is not subject to income tax provided certain disbursement requirements are met.

2. Significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant accounting policies are as follows:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions, which consists of donations, bequests, proceeds from special events, and investment income.

The financial statements separately disclose the activities of the following funds maintained by the Foundation:

Operations fund

The Operations Fund comprises amounts available for immediate use for the general purpose of the Foundation as determined by the Board of Directors.

Restricted funds

- The Endowed Fund comprises amounts to be maintained permanently as specified by the donors or the Board of Directors.
- The Restricted Non-Endowed Fund comprises amounts that are to be used for specific purposes as specified by the donors, the Board of Directors, or as stipulated by the fundraising appeal. Included in this category is the Substantial Completion Fund which is accumulating amounts for the future Mackenzie Vaughan Hospital.

Revenue recognition

Revenue from donations and other contributions including gifts in kind, is recorded when received. Restricted contributions are recorded as revenue of the appropriate restricted fund. Revenue from signature fundraising events is recorded as revenue at the time the event occurs.

Investment income

Investment income is accrued as it is earned. Investment income includes dividend and interest income, and realized and unrealized gains and losses net of investment management fees. Investment income (realized and unrealized gains/losses) subject to external restrictions stipulating that it be added to the principal amount of the endowment is recognized as revenue of the Endowed Fund. General investment income earned on the assets of the Restricted Funds and Operations Fund is recognized as revenue of the Operations Fund. Transaction costs are expensed as incurred.

Contributed goods and services

Donors contribute gifts in kind for use in special fundraising events, for granting to the Hospital, and for the Foundation's use in operations. These gifts are recognized at their fair market value when such value can be reasonably determined.

Mackenzie Health Foundation

Notes to the financial statements

March 31, 2016

2. Significant accounting policies (continued)

Contributed securities

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

Volunteer fundraising activities

The work of the Foundation is dependent on the volunteer activities of many individuals. Because these services are not normally purchased by the Foundation and because of the difficulty in determining their fair value, donated services are not recognized in these financial statements.

Financial instruments

The Foundation initially recognizes financial instruments at fair value and subsequently measures them at each reporting date as follows:

<u>Asset/liability</u>	<u>Measurement</u>
Cash and cash equivalents	Amortized cost
Investments	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to Mackenzie Health	Amortized cost

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

The Foundation has elected to use the fair value option to measure all of its investments.

Cash and cash equivalents

Cash and cash equivalents consist of cash deposits and short-term investments with an original term to maturity less than 90 days or able to be cashed on demand. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as investments.

Investments

Investments reported at fair value consist of pooled funds and investments in fixed income securities. Transaction costs are recognized in the statement of operations and changes in fund balances in the period in which they are incurred.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Areas requiring significant estimates and assumptions include the determination of the fair value of investments and accrued liabilities.

Mackenzie Health Foundation

Notes to the financial statements

March 31, 2016

3. Investments

a) Investments, all of which are recorded at fair value, consist of the following:

	2016	2015
	\$	\$
Equities		
Canadian	2,175,218	1,942,968
US	2,720,754	2,434,124
International	3,583,364	2,786,252
	8,479,336	7,163,344
Cash and cash equivalents	2,383,996	666,839
Fixed income	12,797,479	12,967,165
	23,660,811	20,797,348

Investments are managed in three pools with asset mixes as follows:

	2016	2015
	%	%
Endowed fund		
Cash and cash equivalents	5	6
Fixed income	34	31
Equities	61	63
Substantial Completion fund		
Cash and cash equivalents	32	-
Fixed income	68	100
Restricted and Operations fund		
Cash and cash equivalents	4	3
Fixed income	57	64
Equities	39	33

b) Investment income earned on the Foundation's assets consists of the following:

	2016	2015
	\$	\$
Interest and dividends	1,159,093	789,591
Realized gains	233,651	197,944
Net (decrease) increase in unrealized gain on investment	(949,418)	964,906
	443,326	1,952,441
Less investment management and custodial fees	55,668	45,415
	387,658	1,907,026

Mackenzie Health Foundation

Notes to the financial statements

March 31, 2016

4. Restricted funds

Restricted funds are comprised of:

	2016	2015
	\$	\$
Endowed fund	5,596,818	4,838,865
Restricted Non-Endowed fund		
Substantial Completion fund	6,069,806	3,193,076
Other Restricted Non-Endowed fund	13,148,931	12,988,209
	24,815,555	21,020,150

5. Lease commitments

Mackenzie Health Foundation has a lease commitment to the Hospital for office space and equipment at market rates. The approximate annual payments due under this lease are as follows:

Fiscal year ending	\$
2017	75,944
2018	78,028
2019	78,445
2020	78,445
2021	52,712
	363,574

6. Related parties

The Foundation provides substantial funding to the Hospital. During the year, the Foundation granted \$1,835,799 (2015 - \$3,874,627) to the Hospital to fund equipment, bursaries, education initiatives and development projects.

The Foundation rents office space from the Hospital at market rates. The Hospital also provides certain administrative support in Human Resources, Information & Communication Technology, and Financial Services (Payroll) for which they do not charge the Foundation.

7. Risk management

The Foundation, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, and market 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 fixed income interest-bearing investments held by the Foundation have a limited exposure to interest rate risk due to their short to medium terms to maturity and their high liquidity. The Foundation has formal policies and procedures that establish target asset mix, minimum credit ratings, and varying terms of the securities held.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation's investments include non-Canadian equities, the value of which fluctuates in part due to changes in foreign exchange rates. The Endowed Fund and Restricted Non-Endowed Fund hold assets denominated in currencies other than Canadian dollars and these funds are therefore directly exposed to currency risk as the value of the assets denominated in other currencies will fluctuate due to changes in exchange rates.

Mackenzie Health Foundation

Notes to the financial statements

March 31, 2016

7. Risk management (continued)

Credit risk

The Foundation is exposed to credit risk in connection with its short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to charge an obligation.

Market risk

Market risk arises as a result of trading in pooled funds 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.

8. Pension

Substantially all employees are eligible to be members of the Hospitals of Ontario Pension Plan which is a multi-employer defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination, or death that provides the highest earnings.

The most recent actuarial valuation of the plan, as at December 31, 2015, indicates the plan is 122% funded. During the year, the Foundation contributed \$151,385 (2015 - \$118,514) to the plan on behalf of employees.

9. Interfund transfers

Interfund transfers which relate to reallocations of funds and administrative allocations have been effected in accordance with Board approved policies

10. Government remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$30,019 (2015 - \$22,673).

11. Guarantees

In the normal course of business, the Foundation enters into agreements that meet the definition of a guarantee.

Indemnity has been provided to all Directors and Officers of the Foundation, which is supported by directors' and officers' liability insurance. There are no other material guarantees.