

Financial statements of

Mackenzie Health Foundation

March 31, 2017

Mackenzie Health Foundation

March 31, 2017

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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, 2017, 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, 2017 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, 2017

Mackenzie Health Foundation

Balance sheet
as at March 31, 2017

| | 2017 | 2016 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 1,920,159 | 1,879,192 |
| Accounts receivable | 214,704 | 178,206 |
| Prepaid expenses and deposits | 57,015 | 118,016 |
| | <u>2,191,878</u> | <u>2,175,414</u> |
| Investments (Note 3 (a)) | 33,472,976 | 23,660,811 |
| | <u>35,664,854</u> | <u>25,836,225</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 407,136 | 455,710 |
| Due to Mackenzie Health | 9,201 | - |
| Deferred revenue | 180,841 | 204,615 |
| | <u>597,178</u> | <u>660,325</u> |
| Fund balances | | |
| Restricted funds (Note 4) | 33,921,726 | 24,815,555 |
| Operations fund | 1,145,950 | 360,345 |
| | <u>35,067,676</u> | <u>25,175,900</u> |
| | <u>35,664,854</u> | <u>25,836,225</u> |

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, 2017

| | Operations Fund | | Restricted Funds | | Total |
|---|------------------|------------------|-------------------|-------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2016 |
| | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | |
| Campaigns | - | - | 10,066,770 | 4,003,172 | 4,003,172 |
| Major gifts and planned giving | 28,590 | 76,004 | 693,210 | 1,604,837 | 1,680,841 |
| Special events | 2,313,705 | 2,607,005 | 838,472 | 459,052 | 3,066,057 |
| Annual giving | 627,270 | 567,352 | 175,704 | 177,036 | 744,388 |
| | 2,969,565 | 3,250,361 | 11,774,156 | 6,244,097 | 9,494,458 |
| Administrative expenses | | | | | |
| Special events | 562,996 | 642,164 | 21,904 | 20,348 | 662,512 |
| Compensation | 2,211,823 | 2,140,921 | - | - | 2,140,921 |
| Professional fees | 328,986 | 229,473 | - | - | 229,473 |
| Fundraising | 912,453 | 748,243 | - | - | 748,243 |
| Office and general | 160,167 | 137,542 | - | - | 137,542 |
| Donor recognition program | 42,615 | 31,383 | - | - | 31,383 |
| Technology support | 64,708 | 62,401 | - | - | 62,401 |
| Rent | 86,395 | 80,615 | - | - | 80,615 |
| Professional development | 19,806 | 23,862 | - | - | 23,862 |
| | 4,389,949 | 4,096,604 | 21,904 | 20,348 | 4,411,853 |
| Excess (deficiency) of revenue over expenses before the undernoted Parking - net (Note 6) | (1,420,384) | (846,243) | 11,752,252 | 6,223,749 | 5,377,506 |
| Investment income (Note 3 (b)) | 822,492 | 254,131 | 593,392 | 133,527 | 387,658 |
| | 822,492 | 254,131 | 593,392 | 133,527 | 387,658 |
| Excess (deficiency) of revenue over expenses before grant to Mackenzie Health | (597,892) | (592,112) | 12,345,644 | 6,357,276 | 5,765,164 |
| Grant to Mackenzie Health (Note 6) | 14,000 | 70,411 | 1,841,976 | 1,765,388 | 1,835,799 |
| Excess (deficiency) of revenue over expenses | (611,892) | (662,523) | 10,503,668 | 4,591,888 | 3,929,365 |
| Fund balances, beginning of year | 360,345 | 226,385 | 24,815,555 | 21,020,150 | 21,246,535 |
| Interfund transfers (Note 9) | 1,397,497 | 796,483 | (1,397,497) | (796,483) | - |
| Fund balances, end of year | 1,145,950 | 360,345 | 33,921,726 | 24,815,555 | 25,175,900 |

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, 2017

| | 2017 | 2016 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Operating activities | | |
| (Deficiency) excess of revenue over expenses | | |
| Operations fund | (611,892) | (662,523) |
| Restricted funds | 10,503,668 | 4,591,888 |
| | 9,891,776 | 3,929,365 |
| Items not affecting cash | | |
| Contributions for endowment | (55,574) | (74,920) |
| Unrealized (gain) loss included in investment income | (337,781) | 949,418 |
| Realized gain included in investment income | (178,567) | (233,651) |
| | 9,319,854 | 4,570,212 |
| Changes in non-cash operating items | | |
| Accounts receivable | (36,498) | (32,106) |
| Prepaid expenses and deposits | 61,001 | (95,078) |
| Accounts payable and accrued liabilities | (48,574) | 92,360 |
| Due to Mackenzie Health | 9,201 | (2,237) |
| Deferred revenue | (23,774) | 27,382 |
| | 9,281,210 | 4,560,533 |
| Investing activities | | |
| Proceeds from sale of investments | 5,975,458 | 2,029,213 |
| Purchases of investments | (15,271,275) | (5,608,443) |
| | (9,295,817) | (3,579,230) |
| Financing activity | | |
| Contributions for endowment | 55,574 | 74,920 |
| Net cash inflow | 40,967 | 1,056,223 |
| Cash and cash equivalents, beginning of year | 1,879,192 | 822,969 |
| Cash and cash equivalents, end of year | 1,920,159 | 1,879,192 |

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, 2017

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, 2017

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, 2017

3. Investments

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

| | 2017 | 2016 |
|---------------------------|-------------------|------------|
| | \$ | \$ |
| Equities | | |
| Canadian | 2,672,689 | 2,175,218 |
| US | 3,076,596 | 2,720,754 |
| International | 3,908,433 | 3,583,364 |
| | 9,657,718 | 8,479,336 |
| Cash and cash equivalents | 4,849,108 | 2,383,996 |
| Fixed income | 18,966,150 | 12,797,479 |
| | 33,472,976 | 23,660,811 |

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

| | 2017 | 2016 |
|--------------------------------|------|------|
| | % | % |
| Endowed Fund | | |
| Cash and cash equivalents | 2 | 5 |
| Fixed income | 33 | 34 |
| Equities | 65 | 61 |
| Substantial Completion Fund | | |
| Cash and cash equivalents | 32 | 32 |
| Fixed income | 68 | 68 |
| Restricted and Operations Fund | | |
| Cash and cash equivalents | 2 | 3 |
| Fixed income | 55 | 57 |
| Equities | 43 | 40 |

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

| | 2017 | 2016 |
|--|------------------|-----------|
| | \$ | \$ |
| Interest and dividends | 960,809 | 1,159,093 |
| Realized gains | 178,567 | 233,651 |
| Net increase (decrease) in unrealized gain on investment | 337,781 | (949,418) |
| | 1,477,157 | 443,326 |
| Less investment management and custodial fees | 61,273 | 55,668 |
| | 1,415,884 | 387,658 |

Mackenzie Health Foundation

Notes to the financial statements

March 31, 2017

4. Restricted funds

Restricted funds are comprised of:

| | 2017 | 2016 |
|-----------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Endowed Fund | 5,983,703 | 5,596,818 |
| Restricted Non-Endowed Fund | | |
| Substantial Completion Fund | 15,226,152 | 6,069,806 |
| Other Restricted Non-Endowed Fund | 12,711,871 | 13,148,931 |
| | <u>33,921,726</u> | <u>24,815,555</u> |

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 | \$ |
|--------------------|----------------|
| 2018 | 78,028 |
| 2019 | 78,445 |
| 2020 | 78,445 |
| 2021 | 52,712 |
| | <u>287,630</u> |

6. Related parties

The Foundation provides substantial funding to the Hospital. During the year, the Foundation granted \$1,855,976 (2016 - \$1,835,799) 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, 2017

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, 2016, indicates the plan is 122% funded. During the year, the Foundation contributed \$40,509 (2016 - \$151,385) 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 \$24,085 (2016 - \$30,019).

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.