
Financial statements of Mackenzie Health Foundation

March 31, 2020

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Independent Auditor's Report

To the Members of
Mackenzie Health Foundation

Opinion

We have audited the financial statements of Mackenzie Health Foundation, which comprise the balance sheet as at March 31, 2020, and the statement of operations and changes in fund balances and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mackenzie Health Foundation as at March 31, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Mackenzie Health Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing Mackenzie Health Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Mackenzie Health Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Mackenzie Health Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Mackenzie Health Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Mackenzie Health Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Mackenzie Health Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 18, 2020

Mackenzie Health Foundation


Balance sheet


As at March 31, 2020

	Notes	2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents		873,444	2,047,562
Accounts receivable		553,577	234,379
Due from Mackenzie Health		5,411	—
Prepaid expenses and deposits		127,871	119,758
		<u>1,560,303</u>	<u>2,401,699</u>
Investments	3 (a)	47,898,946	36,348,961
Capital assets	4	37,266	31,029
		<u>49,496,515</u>	<u>38,781,689</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		826,585	759,824
Due to Mackenzie Health		—	14,561
Deferred revenue		209,922	214,734
		<u>1,036,507</u>	<u>989,119</u>
Fund balances			
Restricted funds	5	46,797,300	35,465,598
Operations fund		1,662,708	2,326,972
		<u>48,460,008</u>	<u>37,792,570</u>
		<u>49,496,515</u>	<u>38,781,689</u>

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

Approved by the Board


_____, Director Rina Pillitteri


_____, Director Moris Pilla

Mackenzie Health Foundation
Statement of operations and changes in fund balances
Year ended March 31, 2020

	Operations Fund		Restricted Funds		Total
	2020	2019	2020	2019	2019
	\$	\$	\$	\$	\$
Revenue					
Campaigns	—	—	18,630,953	22,984,192	22,984,192
Community giving	83,248	37,489	1,101,931	—	1,185,179
Major gifts and planned giving	35,489	2,434,817	2,002,436	357,198	2,037,925
Special events	2,346,852	809,542	209,687	1,098,852	2,556,539
Annual giving	1,017,662	3,281,848	374,087	200,018	1,391,749
	3,483,251		22,319,094	24,640,260	27,922,108
Administrative expenses					
Compensation	3,337,382	2,447,033	—	—	2,447,033
Fundraising	1,957,011	894,931	—	—	894,931
Professional fees	795,863	875,117	—	—	875,117
Special events	770,059	713,281	17,923	24,054	737,335
Office and general	222,252	221,135	—	—	221,135
Rent	104,152	98,341	—	—	98,341
Technology support	100,249	81,102	—	—	81,102
Professional development	30,469	36,231	—	—	36,231
Donor recognition program	20,285	63,058	—	—	63,058
	7,337,722	5,430,229	17,923	24,054	5,454,283
Excess (deficiency) of revenue over expenses before the undernoted investment income	(3,854,471)	(2,148,381)	22,301,171	24,616,206	22,467,825
Excess (deficiency) of revenue over expenses before grant to Mackenzie Health	237,064	810,306	209,065	890,335	1,700,641
Grant to Mackenzie Health	(3,617,407)	(1,338,075)	22,510,236	25,506,541	24,168,466
Excess (deficiency) of revenue over expenses	300	—	8,225,091	30,484,055	30,484,055
Fund balances, beginning of year	(3,617,707)	(1,338,075)	14,285,145	(4,977,514)	(6,315,589)
Interfund transfers	2,326,972	1,741,371	35,465,598	42,366,788	44,108,159
	2,953,443	1,923,676	(2,953,443)	(1,923,676)	—
Fund balances, end of year	1,662,708	2,326,972	46,797,300	35,465,598	37,792,570

Notes

3(b)

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

Mackenzie Health Foundation**Statement of cash flows**

Year ended March 31, 2020

	2020	2019
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses		
Operations fund	(3,617,707)	(1,338,075)
Restricted funds	14,285,145	(4,977,514)
	10,667,438	(6,315,589)
Items not affecting cash		
Contributions for endowment	(1,802,745)	(95,948)
Unrealized loss (gain) included in investment income	1,525,556	(20,094)
Realized (gain) included in investment income	(673,882)	(14,776)
Amortization of capital assets	7,952	3,448
	9,724,319	(6,442,959)
Changes in non-cash operating items		
Accounts receivable	(319,198)	6,622
Prepaid expenses and deposits	(8,113)	(50,791)
Due from /to Mackenzie Health	(19,972)	—
Accounts payable and accrued liabilities	66,761	163,750
Deferred revenue	(4,812)	(16,840)
	9,438,985	(6,328,911)
Investing activities		
Purchase of capital assets	(14,189)	(34,477)
Proceeds from sale of investments	22,166,243	48,130,029
Purchases of investments	(34,567,902)	(40,627,125)
	(12,415,848)	7,468,427
Financing activity		
Contributions for endowment	1,802,745	95,948
	1,802,745	95,948
Net cash(outflow) inflow	(1,174,118)	1,235,464
Cash and cash equivalents, beginning of year	2,047,562	812,098
Cash and cash equivalents, end of year	873,444	2,047,562

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

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

- (a) The Endowed Fund comprises amounts to be maintained permanently as specified by the donors or the Board of Directors.
- (b) 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.

2. Significant accounting policies (continued)

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.

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:

Asset/Liability	Measurement%
Leasehold improvements	Amortized cost
Investments	Fair value
Due from/to Mackenzie Health	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	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.

2. Significant accounting policies (continued)

Capital assets

Capital assets are recorded at acquisition costs. Amortization is provided as follows:

Office furniture and equipment	5 Years	Straight line
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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.

3. Investments

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

	2020	2019
	\$	\$
Equities		
Canadian	1,821,737	2,878,341
US	2,417,256	3,391,708
International	2,968,803	4,214,837
	7,207,796	10,484,886
Cash and cash equivalents	26,939,995	10,830,635
Fixed income	13,751,155	15,033,440
	47,898,946	36,348,961

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

	2020	2019
	%	%
Endowed fund		
Cash and cash equivalents	8	8
Fixed income	35	32
Equities	57	60
Substantial completion fund		
Cash and cash equivalents	80	61
Fixed income	20	39
Restricted fund		
Cash and cash equivalents	23	6
Fixed income	48	48
Equities	29	46

Mackenzie Health Foundation
Notes to the financial statements
 March 31, 2020

3. Investments (continued)

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

	2020	2019
	\$	\$
Interest and dividends	1,359,931	1,732,142
Realized gains	673,882	14,776
Net (decrease) increase in unrealized gain on investment	(1,525,556)	20,094
	508,257	1,767,012
Less investment management and custodial fees	62,128	66,371
	446,129	1,700,641

4. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
	\$	\$	\$	\$
Office furniture and equipment	48,666	11,400	37,266	31,029
Total capital assets	48,666	11,400	37,266	31,029

5. Restricted funds

Restricted funds are comprised of:

	2020	2019
	\$	\$
Endowed fund	7,391,310	6,967,239
Restricted Non-Endowed fund		
Substantial Completion fund	27,574,225	16,320,498
Other Restricted Non-Endowed fund	11,831,765	12,177,861
	46,797,300	35,465,598

Endowed Funds are included in Restricted Funds on the statement of operations and changes in fund balances. Activity for the period in the Endowed fund is as follows:

	2020	2019
	\$	\$
Endowed fund balance, beginning of year	6,967,239	6,579,855
Revenue	1,802,745	95,948
Investment income	(148,429)	436,009
Interfund transfers	(1,230,245)	(144,573)
Endowed fund balance, end of year	7,391,310	6,967,239

Mackenzie Health Foundation
Notes to the financial statements
 March 31, 2020

5. Restricted funds (continued)

Substantial Completion Funds are included in Restricted Funds on the statement of operations and changes in fund balances. Activity for the period in the Substantial Completion fund is as follows:

	2020	2019
	\$	\$
Substantial Completion fund balance, beginning of year	16,320,498	23,285,599
Revenue	19,137,236	22,661,261
Investment income	339,173	436,243
Grants to Mackenzie Health	(6,748,519)	(28,530,695)
Expenses	(17,514)	(21,759)
Interfund transfers	(1,456,649)	(1,510,151)
Substantial Completion fund balance, end of year	27,574,225	16,320,498

Other Restricted Non-Endowed Funds are included in Restricted Funds on the statement of operations and changes in fund balances. Activity for the period in the Other Restricted Non-Endowed fund is as follows:

	2020	2019
	\$	\$
Other Restricted Non-Endowed fund balance, beginning of year	12,177,861	12,501,331
Revenue	1,379,113	1,883,051
Investment income	18,321	18,085
Grants to Mackenzie Health	(1,476,572)	(1,953,360)
Expenses	(409)	(2,295)
Interfund transfers	(266,549)	(268,951)
Other Restricted Non-Endowed fund balance, end of year	11,831,765	12,177,861

6. 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 the remaining term of the lease are as follows:

	\$
Fiscal year ending	
2021	106,842
2022	71,225
	<u>178,067</u>

7. Related parties

The Foundation provides substantial funding to the Hospital. During the year, the Foundation granted \$8,225,391 (\$30,484,055 in 2019) 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.

8. 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.

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 discharge 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 manages these risks through formal investment management agreements which include controls to monitor and limit concentration levels.

9. Pension

Substantially all employees are eligible to be members of the Healthcare 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 was conducted December 31, 2019. As of December 31, 2019, the Plan is in a surplus position with value of net assets of \$87,181 million and value of pensions obligations of \$73,547 million.

During the year, the Foundation contributed \$240,727 (\$184,275 in 2019) to the plan on behalf of employees.

10. Interfund transfers

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

11. Government remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$33,314 (\$28,398 in 2019).

12. 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.

13. Pandemic response

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel corona virus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus.

The duration and impact of the COVID-19 pandemic is unknown at this time and it is not possible to reliably estimate the impact that the severity and length of the pandemic will have on the financial results and condition of the Foundation in future periods.