

Stevenson Memorial Hospital Foundation
Financial Statements
For the year ended March 31, 2017

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Independent Auditor's Report

To the Board of Directors of Stevenson Memorial Hospital Foundation

We have audited the accompanying financial statements of Stevenson Memorial Hospital Foundation, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and changes in net assets 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 Foundation'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 Foundation'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 in our audit 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 Stevenson Memorial Hospital 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Alliston, Ontario
June 7, 2017

Stevenson Memorial Hospital Foundation Statement of Financial Position

March 31	2017	2016
Assets		
Current		
Cash (Note 2)	\$ 113,282	\$ 37,140
Portfolio cash	49,323	54,664
Other receivables	15,516	22,040
Inventory	7,266	164
Prepaid expenses	31,318	22,099
	216,705	136,107
Long-term investments - unrestricted (Note 3)	2,272,224	2,233,090
Long-term investments - restricted (Note 3)	100,082	353,292
Property, plant and equipment (Note 4)	40,385	45,191
	2,412,691	2,631,573
	\$2,629,396	\$ 2,767,680
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 617,999	\$ 655,039
Deferred gala revenue	189,700	-
	807,699	655,039
Net Assets		
Unrestricted	1,721,615	1,762,348
Externally restricted	100,082	353,292
	1,821,697	2,115,640
	\$2,629,396	\$ 2,770,679

On behalf of the board:

 _____ Director

 _____ Director

Stevenson Memorial Hospital Foundation Statement of Operations and Changes in Net Assets

For the year ended March 31	Unrestricted	Externally Restricted	Total 2017	Total 2016
Revenues				
Donations	\$ 404,398	\$ 558,636	\$ 963,034	\$ 916,000
Investment income (loss) (Note 6)	288,572	-	288,572	(5,733)
Sales	370	-	370	55
Events	-	-	-	144,675
Membership fees	395	-	395	320
Foreign exchange gain	-	-	-	15,915
	<u>693,735</u>	<u>558,636</u>	<u>1,252,371</u>	<u>1,071,232</u>
Expenses (Note 5)				
Amortization of property, plant and equipment	6,715	-	6,715	6,665
Consulting and other fees	5,961	3,000	8,961	3,043
Fundraising and events	112,754	-	112,754	197,034
Investment fees	16,468	-	16,468	21,917
Marketing and promotion	6,568	-	6,568	1,934
Office supplies, computer licenses and printing	38,962	-	38,962	35,876
Professional development	4,563	-	4,563	10,362
Professional fees and bookkeeping services	24,355	-	24,355	11,727
Wages and benefits	373,600	-	373,600	309,870
	<u>589,946</u>	<u>3,000</u>	<u>592,946</u>	<u>598,428</u>
Excess of revenues over expenses	103,789	555,636	659,425	472,804
Net assets, beginning of the year	1,759,349	353,292	2,112,641	2,639,047
Contributions to Stevenson Memorial Hospital (Note 5)	(141,523)	(808,846)	(950,369)	(996,210)
Net assets, end of the year	\$ 1,721,615	\$ 100,082	\$ 1,821,697	\$ 2,115,641

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

Stevenson Memorial Hospital Foundation Statement of Cash Flows

For the year ended March 31	2017	2016
Excess of revenues over expenses	\$ 659,425	\$ 469,804
Contributions to Stevenson Memorial Hospital	(950,369)	(996,210)
Items not involving cash:		
Amortization of property, plant and equipment	6,715	6,665
	(284,229)	(519,741)
Changes in non-cash working capital:		
Other receivables	6,523	3,179
Inventory	(7,102)	146
Prepaid expenses	(9,219)	2,833
Accounts payable and accrued liabilities	(37,039)	(335,695)
Deferred gala revenue	189,700	(136,800)
	(141,366)	(986,078)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,909)	(7,211)
Proceeds on disposal of long-term investments	1,450,373	1,375,720
Purchase of long-term investments	(1,236,297)	(457,543)
	212,167	910,966
Net increase (decrease) in cash	70,801	(75,112)
Cash, beginning of the year	91,804	166,916
Cash, end of year	\$ 162,605	\$ 91,804
Represented by:		
Bank	\$ 113,282	\$ 37,140
Portfolio cash	49,323	54,664
	\$ 162,605	\$ 91,804

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

Stevenson Memorial Hospital Foundation

Notes to Financial Statements

March 31, 2017

1. Significant Accounting Policies

Purpose of Organization	Stevenson Memorial Hospital Foundation is a non-profit foundation incorporated December 30, 1985 without share capital under the laws of Ontario. The Foundation accepted the transfer of the investment portfolio of Stevenson Memorial Hospital in March 1986. The purpose of the Foundation is to receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time-to-time, for medical, charitable or educational purposes, within the Province of Ontario, including, without limiting the generality of the foregoing, for the support of Stevenson Memorial Hospital of Alliston. The Foundation is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
Inventory	Inventory is stated at the lower of cost and replacement cost. Cost is generally determined on the first-in, first-out basis. Replacement cost is the amount that would be needed currently to acquire an equivalent asset.
Contributed Materials and Services	Contributed materials and services which are used in the normal course of the Foundation's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.
Revenue Recognition	<p>The Foundation follows the restricted method of accounting for donations. Donations and gifts in kind which are restricted by the donors for specific purposes are recorded as restricted funds; other donations are recorded as unrestricted. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Sales and events revenues are recognized on the accrual basis and recorded as either restricted or unrestricted based on their intended purpose.</p> <p>Investment income is recognized on the accrual basis and recorded in the unrestricted net assets.</p>

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2017

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the average exchange rate in effect at that date as determined by the Bank of Canada. The resulting foreign exchange gains and losses are included in income in the current period.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported period. The principal estimates used in the preparation of these financial statements includes allowance for doubtful accounts, accrued liabilities and the useful life of property, plant and equipment. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

Financial instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in excess of revenues over expenses. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2017

Property, Plant and Equipment

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When property, plant and equipment no longer contributes to the Foundation's ability to provide services or the value of future economic benefits associated with the property, plant and equipment is less than its net book value, the carrying value of the property, plant and equipment is reduced to reflect the decline in the asset's value.

Property, plant and equipment are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which have been estimated as follows:

Office equipment	10 years
Computer equipment	3 years
Leasehold improvements	10 years

2. Cash

The Foundation maintains all cash balances at the Bank of Montreal and earns interest at prime less 1.75%

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2017

3. Investments

	2017		2016	
	Cost	Quoted Market value	Cost	Quoted Market value
Canadian equities and bond mutual funds	\$ 1,755,832	\$ 1,915,594	\$ 1,968,235	\$ 2,110,491
International equities	109,557	120,009	223,912	261,075
U.S. equities	287,374	336,703	198,548	214,816
	\$ 2,152,763	\$ 2,372,306	\$ 2,390,695	\$ 2,586,382

Investments in securities with an active market have been included at market based on quoted bid prices as at March 31, 2017.

Canadian equities and bond mutual funds are comprised of the outstanding shares of Canadian various public companies and a Canadian bond mutual fund. They have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally received quarterly, semi-annually or annually. The maximum investment in any one Canadian company or mutual fund at March 31, 2017 is 71,666.422 units of the TD Canadian Bond Fund - PRIV. with a market value of \$708,064 (cost - \$719,239). The maximum investment in any one industry at March 31, 2017 for Canadian equities is the Financial Services Industry with an investment at market value of \$283,988 (cost - \$184,827) which represents 34.52% of the total investment in Canadian equities (28.26% of the total cost of Canadian equities).

International equities are comprised of outstanding shares of various public companies. They have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally received quarterly, semi-annually or annually. The maximum investment in any one international company or mutual fund at March 31, 2017 is 10,667 shares of TD Global Low Volatility FD-PRIV with a market value of \$120,009 (cost - \$109,557) which represents 100% of the total investment in International equities (100% % of the total cost of International equities).

U.S. equities are comprised of outstanding shares of various public companies. They have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally received quarterly, semi-annually or annually. The maximum investment in any one U.S. company or mutual fund at March 31, 2017 is 27,735 shares of Epoch U.S. Blue Chip Equity with a market value of \$336,703 (cost - \$287,374) which represents 100% of the total investment in U.S. equities (100% of the total cost of U.S. equities).

Included in the above investment portfolio are unspent restricted net assets totaling \$100,082 (2016 - \$430,332).

The amount of change in the fair value of the above investments, designated as held-for-trading and recognized in investment income during the year, was an unrealized gain of \$23,856 (2016 - loss of \$308,426).

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2017

4. Property, Plant and Equipment

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 17,288	\$ 4,683	\$ 17,530	\$ 3,367
Computer equipment	6,866	3,244	5,202	1,868
Leasehold improvements	35,355	11,197	35,355	7,661
	<u>\$ 59,509</u>	<u>\$ 19,124</u>	<u>\$ 58,087</u>	<u>\$ 12,896</u>
Net book value		<u>\$ 40,385</u>		<u>\$ 45,191</u>

5. Related Party Transactions

Stevenson Memorial Hospital (Hospital)

The Hospital is an independent corporation, incorporated without share capital, which has its own independent Board of Directors and is a registered charity under the Income Tax Act (Canada). The Hospital receives funds from the Foundation for the purchase of equipment and renovations to the Hospital.

Amounts donated to the Hospital are externally restricted.

The following table summarizes the Foundation's related party transactions for the year:

	2017	2016
- Contributions measured at fair value at date of distribution	\$ 950,369	\$ 996,210
- Administration and other costs measured at cost recovery	375,872	310,590

At the end of the year, the amount due to the Hospital measured at carrying value is \$579,806 (2016 - \$639,029) and is included in accounts payable and accrued liabilities.

6. Investment Income (Loss)

	2017	2016
Interest	\$ 31,810	\$ 35,655
Dividends	41,367	48,833
Realized gains on sale of investments	191,539	218,205
Unrealized gain (loss) on investments	23,856	(308,426)
	<u>\$ 288,572</u>	<u>\$ (5,733)</u>

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2017

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	<u>\$ 288,572</u>	<u>\$ (5,733)</u>

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2017

7. Financial Instruments

Liquidity risk

Liquidity risk is the risk that the Stevenson Memorial Hospital Foundation will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Stevenson Memorial Hospital Foundation will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Stevenson Memorial Hospital Foundation is exposed to this risk mainly in respect of its accounts payable.

The Stevenson Memorial Hospital Foundation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Stevenson Memorial Hospital Foundation maintains a portion of its invested assets in liquid securities.

There have not been any changes in the risk from the prior year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Stevenson Memorial Hospital Foundation is mainly exposed to interest rate risk and other price risk.

To manage the market risk, Stevenson Memorial Hospital Foundation hires an outside investment manager who has regular meets with the Board of Directors. There are also yearly evaluation of the investment manager.

There have not been any changes in the risk from the prior year.

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. Approximately 18% of the Stevenson Memorial Hospital Foundation's investments are in international and US equities. Consequently, some assets are exposed to foreign exchange fluctuations. As at year end, investment balances of \$456,712 (2016 - \$475,891) are converted into Canadian dollars.

The Stevenson Memorial Hospital Foundation considers this risk to be acceptable and therefore does not hedge its foreign exchange rate risk.

There have not been any changes in the risk from the prior year.

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2017

6. Financial Instruments (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Stevenson Memorial Hospital Foundation is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Stevenson Memorial Hospital Foundation to a fair value risk while the floating rate instruments subject it to a cash flow risk.

A substantial portion of the Stevenson Memorial Hospital Foundation's investments bear interest at floating rates. Fluctuations in these rates will impact the investment income received in the future.

The Stevenson Memorial Hospital Foundation mitigates interest rate risk on investments by diversifying the durations of the fixed-income investments that are held at a given time.

There have not been any changes in the risk from the prior year.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Stevenson Memorial Hospital Foundation is exposed to other price risk through its investments in quoted shares.

The Stevenson Memorial Hospital Foundation manages other price risk through asset allocation and maintaining a portfolio that is well diversified on both a geographic and industry sector basis.

There have not been any changes in the risk from the prior year.
