

Stevenson Memorial Hospital Foundation
Financial Statements
For the year ended March 31, 2018

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Operations and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 12



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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, 2018, 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, 2018, 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.

Chartered Professional Accountants, Licensed Public Accountants

Alliston, Ontario
May 28, 2018

**Stevenson Memorial Hospital Foundation
Statement of Financial Position**

March 31	2018	2017
Assets		
Current		
Cash (Note 2)	\$ 92,318	\$ 113,282
Portfolio cash	44,435	49,323
Other receivables	10,314	15,516
Inventory	5,131	7,266
Prepaid expenses	36,702	31,318
	188,900	216,705
Long-term investments - unrestricted (Note 3)	2,284,048	2,272,224
Long-term investments - restricted (Note 3)	197,759	100,082
Property, plant and equipment (Note 4)	38,575	40,385
	2,520,382	2,412,691
	\$2,709,282	\$ 2,629,396

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 6)	\$ 600,685	\$ 617,999
Deferred gala revenue	-	189,700
	600,685	807,699
Net Assets		
Unrestricted	1,910,838	1,721,615
Externally restricted	197,759	100,082
	2,108,597	1,821,697
	\$2,709,282	\$ 2,629,396

On behalf of the board:

M. Barber Director
FOUNDATION BOARD CHAIR

Dr. Maryland Director
Treasurer of
Foundation

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

For the year ended March 31	Unrestricted	Externally Restricted	Total 2018	Total 2017
Revenues				
Donations and events (Note 5)	\$ 863,140	\$ 1,227,464	\$ 2,090,604	\$ 963,034
Investment income (Note 7)	86,880	-	86,880	288,572
Sales	4,196	-	4,196	370
Membership fees	535	-	535	395
	<u>954,751</u>	<u>1,227,464</u>	<u>2,182,215</u>	<u>1,252,371</u>
Expenses (Note 6)				
Amortization of property, plant and equipment	6,938	-	6,938	6,715
Consulting and other fees	7,622	3,000	10,622	8,961
Fundraising and events	173,479	-	173,479	112,754
Investment fees	17,993	-	17,993	16,468
Marketing and promotion	3,578	-	3,578	6,568
Office supplies, computer licenses and printing	35,788	-	35,788	38,962
Professional development	7,218	-	7,218	4,563
Professional fees and bookkeeping services	33,545	-	33,545	24,355
Wages and benefits	381,476	-	381,476	373,600
	<u>667,637</u>	<u>3,000</u>	<u>670,637</u>	<u>592,946</u>
Excess of revenues over expenses before contributions	287,114	1,224,464	1,511,578	659,425
Contributions to Stevenson Memorial Hospital (Note 6)	(97,891)	(1,126,787)	(1,224,678)	(950,369)
Excess of revenues over expenses (expenses over revenues)	189,223	97,677	286,900	(290,944)
Net assets, beginning of the year	1,721,615	100,082	1,821,697	2,112,641
Net assets, end of the year	\$ 1,910,838	\$ 197,759	\$ 2,108,597	\$ 1,821,697

**Stevenson Memorial Hospital Foundation
Statement of Cash Flows**

For the year ended March 31	2018	2017
Excess of revenues over expenses (expenses over revenues)	\$ 286,900	\$ (290,944)
Items not involving cash:		
Amortization of property, plant and equipment	6,938	6,715
	<u>293,838</u>	<u>(284,229)</u>
Changes in non-cash working capital:		
Other receivables	5,203	6,523
Inventory	2,135	(7,102)
Prepaid expenses	(5,384)	(9,219)
Accounts payable and accrued liabilities	(17,313)	(37,039)
Deferred gala revenue	(189,700)	189,700
	<u>88,779</u>	<u>(141,366)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(5,128)	(1,909)
Proceeds on disposal of long-term investments	1,366,601	1,450,373
Purchase of long-term investments	(1,476,104)	(1,236,297)
	<u>(114,631)</u>	<u>212,167</u>
Net increase (decrease) in cash	(25,852)	70,801
Cash, beginning of the year	162,605	91,804
Cash, end of year	\$ 136,753	\$ 162,605
Represented by:		
Bank	\$ 92,318	\$ 113,282
Portfolio cash	44,435	49,323
	<u>\$ 136,753</u>	<u>\$ 162,605</u>

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

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies

Purpose of Organization	Stevenson Memorial Hospital Foundation (the "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, 2018

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, 2018

**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 cash balances at the Bank of Montreal and Royal Bank of Canada and earns interest at prime less 1.75% and prime less 1.70% accordingly.

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2018

3. Investments

	2018		2017	
	Cost	Quoted Market value	Cost	Quoted Market value
Canadian equities and bond mutual funds	\$ 1,587,269	\$ 1,639,474	\$ 1,755,832	\$ 1,915,594
International equities	299,207	288,889	109,557	120,009
U.S. equities	449,039	553,444	287,374	336,703
	<u>\$ 2,335,515</u>	<u>\$ 2,481,807</u>	<u>\$ 2,152,763</u>	<u>\$ 2,372,306</u>

Investments in securities with an active market have been included at market based on quoted bid prices as at March 31, 2018.

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, 2018 is 81,746.422 units of the TD Canadian Bond Fund - PRIV. with a market value of \$796,210 (cost - \$816,729). The maximum investment in any one industry at March 31, 2018 for Canadian equities is the Financial Services Industry with an investment at market value of \$214,774 (cost - \$160,175) which represents 39.15% of the total investment in Canadian equities (34.07% 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, 2018 is 26,455 shares of Epoch International Equity Fund-PRIV with a market value of \$288,889 (cost - \$299,207) 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, 2018 is 36,055 shares of TD U.S. Blue Chip Equity FD- EM-PRIV with a market value of \$553,444 (cost - \$449,039) 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 \$197,759 (2017 - \$100,082).

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 loss of \$73,999 (2017 - gain of \$23,856).

**Stevenson Memorial Hospital Foundation
Notes to Financial Statements**

March 31, 2018

4. Property, Plant and Equipment

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 19,040	\$ 5,920	\$ 17,288	\$ 4,683
Computer equipment	9,028	4,196	6,866	3,244
Leasehold improvements	35,355	14,732	35,355	11,197
	\$ 63,423	\$ 24,848	\$ 59,509	\$ 19,124
Net book value		\$ 38,575		\$ 40,385

5. Donations and Events

The Foundation receives a variety of donations from corporations, individuals and other organizations. The Foundation also holds a number of fundraising events such as a bi-annual major gala, a bi-annual Radio-a-thon as well as other third party community events.

6. Related Party Transactions

Stevenson Memorial Hospital (the "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.

Certain amounts donated to the Hospital are externally restricted.

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

	2018	2017
- Contributions measured at fair value at date of distribution	\$ 1,224,677	\$ 950,369
- Administration and other costs measured at cost recovery	381,476	375,872

At the end of the year, the amount due to the Hospital measured at carrying value is \$592,610 (2017 - \$579,806) and is included in accounts payable and accrued liabilities.

**Stevenson Memorial Hospital Foundation
Notes to Financial Statements**

March 31, 2018

7. Investment Income

	2018	2017
Interest	\$ 45,031	\$ 31,810
Dividends	26,624	41,367
Realized gains on sale of investments	89,224	191,539
Unrealized gain (loss) on investments	(73,999)	23,856
	\$ 86,880	\$ 288,572

8. Financial Instruments

Liquidity risk

Liquidity risk is the risk that the 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 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 Foundation is exposed to this risk mainly in respect of its accounts payable.

The 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 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 Foundation is mainly exposed to interest rate risk and other price risk.

To manage the market risk, the Foundation hires an outside investment manager who has regular meets with the Board of Directors. There are also, at minimum, yearly reviews of the investment manager and investment performance.

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

Stevenson Memorial Hospital Foundation Notes to Financial Statements

March 31, 2018

8. Financial Instruments (continued)

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 34% 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 \$842,333 (2017 - \$456,712) 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.

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 Foundation is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Foundation to a fair value risk while the floating rate instruments subject it to a cash flow risk.

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

The 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 Foundation is exposed to other price risk through its investments in quoted shares.

The 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.
