
Financial statements of Mackenzie Health Foundation

March 31, 2021

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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, 2021, 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, 2021, 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 17, 2021

Mackenzie Health Foundation

Balance sheet

As at March 31, 2021

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents		3,128,845	873,444
Accounts receivable		292,900	553,577
Due from Mackenzie Health		—	5,411
Prepaid expenses and deposits		113,055	127,871
		3,534,800	1,560,303
Investments	3 (a)	19,572,637	47,898,946
Capital assets	4	39,620	37,266
		23,147,057	49,496,515
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		730,243	826,585
Due to Mackenzie Health		23,293	—
Deferred revenue		112,934	209,922
		866,470	1,036,507
Fund balances			
Restricted funds	5	20,705,701	46,797,300
Operations fund		1,574,886	1,662,708
		22,280,587	48,460,008
		23,147,057	49,496,515

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

Approved by the Board

 _____, Director

 _____, Director

Mackenzie Health Foundation
Statement of operations and changes in fund balances
Year ended March 31, 2021

	Operations Fund		Restricted Funds		Total	
	2021	2020	2021	2020	2021	2020
Notes	\$	\$	\$	\$	\$	\$
Revenue						
Campaigns	—	—	22,581,048	18,630,953	22,581,048	18,630,953
Community giving	26,121	83,248	622,601	1,101,931	648,722	1,185,179
Major gifts and planned giving	33,489	35,489	577,616	2,002,436	611,105	2,037,925
Special events	1,219,274	2,346,852	47,463	209,687	1,266,737	2,556,539
Annual giving	839,507	1,017,662	739,720	374,087	1,579,227	1,391,749
	2,118,391	3,483,251	24,568,448	22,319,094	26,686,839	25,802,345
Administrative expenses						
Compensation	3,305,632	3,337,382	—	—	3,305,632	3,337,382
Fundraising	1,264,188	1,957,011	—	—	1,264,188	1,957,011
Professional fees	506,058	795,863	—	—	506,058	795,863
Special events	141,713	770,059	—	17,923	141,713	787,982
Office and general	256,445	222,252	—	—	256,445	222,252
Rent	114,674	104,152	—	—	114,674	104,152
Technology support	59,562	100,249	—	—	59,562	100,249
Professional development	3,432	30,469	—	—	3,432	30,469
Donor recognition program	5,815	20,285	—	—	5,815	20,285
	5,657,519	7,337,722	—	17,923	5,657,519	7,355,645
Excess (deficiency) of revenue over expenses before the undernoted	(3,539,128)	(3,854,471)	24,568,448	22,301,171	21,029,320	18,446,700
Investment income	1,260,929	237,064	1,278,904	209,065	2,539,833	446,129
Government assistance	598,651	—	—	—	598,651	—
Excess (deficiency) of revenue over expenses before grant to Mackenzie Health	(1,679,548)	(3,617,407)	25,847,352	22,510,236	24,167,804	18,892,829
Grant to Mackenzie Health	312,442	300	50,034,783	8,225,091	50,347,225	8,225,391
(Deficiency) excess of revenue over expenses	(1,991,990)	(3,617,707)	(24,187,431)	14,285,145	(26,179,421)	10,667,438
Fund balances, beginning of year	1,662,708	2,326,972	46,797,300	35,465,598	48,460,008	37,792,570
Interfund transfers	1,904,168	2,953,443	(1,904,168)	(2,953,443)	—	—
Fund balances, end of year	1,574,886	1,662,708	20,705,701	46,797,300	22,280,587	48,460,008

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

Mackenzie Health Foundation**Statement of cash flows**

Year ended March 31, 2021

	2021	2020
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses		
Operations fund	(1,991,990)	(3,617,707)
Restricted funds	(24,187,431)	14,285,145
	(26,179,421)	10,667,438
Items not affecting cash		
Contributions for endowment	(218,137)	(1,802,745)
Unrealized (gain) loss included in investment income	(447,758)	1,525,556
Realized (gain) included in investment income	(1,016,890)	(673,882)
Amortization of capital assets	12,955	7,952
	(27,849,251)	9,724,319
Changes in non-cash operating items		
Accounts receivable	260,677	(319,198)
Prepaid expenses and deposits	14,816	(8,113)
Due from/to Mackenzie Health	28,704	(19,972)
Accounts payable and accrued liabilities	(96,342)	66,761
Deferred revenue	(96,988)	(4,812)
	(27,738,384)	9,438,985
Investing activities		
Purchase of capital assets	(15,309)	(14,189)
Proceeds from sale of investments	87,826,081	22,166,243
Purchases of investments	(58,035,124)	(34,567,902)
	29,775,648	(12,415,848)
Financing activity		
Contributions for endowment	218,137	1,802,745
	218,137	1,802,745
Net cash inflow (outflow)	2,255,401	(1,174,118)
Cash and cash equivalents, beginning of year	873,444	2,047,562
Cash and cash equivalents, end of year	3,128,845	873,444

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 completing the major comprehensive capital campaign to raise the community portion of funding to build and equip the Cortellucci 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 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 Cortellucci Vaughan Hospital.

Revenue recognition

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

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.

Government assistance

The Foundation received government assistance in the form of the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Rent Subsidy (CERS) due to COVID-19. The assistance was available to organizations that experienced a decrease in revenue over a period of time compared to the prior period. All assistance was recorded as income for the period. As of March 31, 2021, all terms and conditions for these assistance programs have been met.

2. Significant accounting policies (continued)

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.

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
Cash and Cash Equivalents	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 grouped with investments on the Balance sheet.

2. Significant accounting policies (continued)

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.

Capital assets

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

Office furniture and equipment 5 Years Straight line

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 consist of the following:

	2021	2020
	\$	\$
Equities		
Canadian	944,949	1,821,737
US	950,505	2,417,256
International	1,435,353	2,968,803
	3,330,807	7,207,796
Cash and cash equivalents	10,434,992	26,939,995
Fixed income	5,806,838	13,751,155
	19,572,637	47,898,946

3. Investments (continued)

(a) (continued)

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

	2021	2020
	%	%
Endowed fund		
Cash and cash equivalents	75	8
Fixed income	8	35
Equities	17	57
Substantial completion fund		
Cash and cash equivalents	—	80
Fixed income	100	20
Restricted fund		
Cash and cash equivalents	43	23
Fixed income	36	48
Equities	21	29

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

	2021	2020
	\$	\$
Interest and dividends	1,126,284	1,359,931
Realized gains	1,016,890	673,882
Net increase (decrease) in unrealized gain on investment	447,758	(1,525,556)
	2,590,932	508,257
Less investment management and custodial fees	51,099	62,128
	2,539,833	446,129

4. Capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
	\$	\$	\$	\$
Office furniture and equipment	63,976	24,356	39,620	37,266
Total capital assets	63,976	24,356	39,620	37,266

Mackenzie Health Foundation
Notes to the financial statements
 March 31, 2021

5. Restricted funds

Restricted funds are comprised of:

	2021	2020
	\$	\$
Endowed fund	8,306,431	7,391,310
Restricted Non-Endowed fund		
Substantial Completion fund	4,360,532	27,574,225
Other Restricted Non-Endowed fund	8,038,738	11,831,765
	20,705,701	46,797,300

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:

	2021	2020
	\$	\$
Endowed fund balance, beginning of year	7,391,310	6,967,239
Revenue	218,137	1,802,745
Investment income	887,191	(148,429)
Interfund transfers	(190,207)	(1,230,245)
Endowed fund balance, end of year	8,306,431	7,391,310

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:

	2021	2020
	\$	\$
Substantial Completion fund balance, beginning of year	27,574,225	16,320,498
Revenue	21,418,452	19,137,236
Investment income	374,187	339,173
Grants to Mackenzie Health	(43,729,560)	(6,748,519)
Expenses	—	(17,514)
Interfund transfers	(1,276,772)	(1,456,649)
Substantial Completion fund balance, end of year	4,360,532	27,574,225

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:

	2021	2020
	\$	\$
Other Restricted Non-Endowed fund		
Balance, beginning of year	11,831,765	12,177,861
Revenue	2,931,859	1,379,113
Investment income	17,526	18,321
Grants to Mackenzie Health	(6,305,223)	(1,476,572)
Expenses	—	(409)
Interfund transfers	(437,189)	(266,549)
Other Restricted Non-Endowed fund balance, end of year	8,038,738	11,831,765

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 2022	94,806

7. Related parties

The Foundation provides substantial funding to the Hospital. During the year, the Foundation granted \$50,347,225 (\$8,225,391 in 2020) 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, 2020. As of December 31, 2020, the Plan is in a surplus position with value of net assets of \$95,197 million and value of pensions obligations of \$79,852 million.

During the year, the Foundation contributed \$236,502 (\$240,727 in 2020) 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 \$31,367 (\$33,314 in 2020).

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.

In 2021, the pandemic resulted in lower community giving revenues and expenses, and lower special event revenues and expenses. 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.