

**HAMILTON HEALTH SCIENCES
FOUNDATION**

FINANCIAL STATEMENTS

DECEMBER 31, 2009



AUDITORS' REPORT

To the Directors of
Hamilton Health Sciences Foundation

We have audited the balance sheet of **Hamilton Health Sciences Foundation** as at December 31, 2009 and the statements of revenue, expenses and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from donations and events, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations and events revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Hamilton, Canada
February 12, 2010*

MacGillivray Hamilton

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

HAMILTON HEALTH SCIENCES FOUNDATION

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BALANCE SHEET

DECEMBER 31, 2009

	<i>General Fund</i>	<i>Restricted Fund</i>	<i>Endowment Fund</i>	<i>Total 2009</i>	<i>Total 2008 (note 15)</i>
ASSETS					
Current					
Cash and cash equivalents	\$ 6,561,423	\$ -	\$ -	\$ 6,561,423	\$ 6,327,210
Accounts receivable	98,530	-	-	98,530	66,336
Portfolio investments (note 9)	7,926,608	35,143,271	9,428,486	52,498,365	44,284,381
Prepaid expenses	<u>100,136</u>	<u>-</u>	<u>-</u>	<u>100,136</u>	<u>109,452</u>
	14,686,697	35,143,271	9,428,486	59,258,454	50,787,379
Property and Equipment (note 3)	<u>145,625</u>	<u>-</u>	<u>-</u>	<u>145,625</u>	<u>239,621</u>
	<u>\$ 14,832,322</u>	<u>\$ 35,143,271</u>	<u>\$ 9,428,486</u>	<u>\$ 59,404,079</u>	<u>\$ 51,027,000</u>

LIABILITIES AND FUND BALANCES

Current

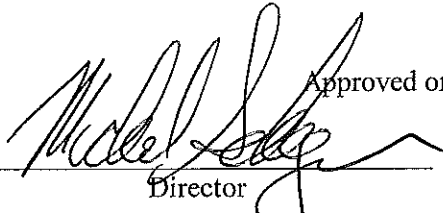
Accounts payable and accrued liabilities	\$ 821,976	\$ -	\$ -	\$ 821,976	\$ 1,133,618
Due to Hamilton Health Sciences	1,412,445	-	-	1,412,445	1,127,777
Due to St. Peter's Care Centres	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,780</u>
	<u>2,234,421</u>	<u>-</u>	<u>-</u>	<u>2,234,421</u>	<u>2,278,175</u>

Commitments (note 10)

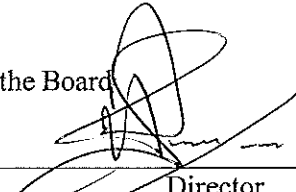
Fund Balances

Invested in property and equipment	145,625	-	-	145,625	239,621
Externally restricted (note 4)	-	35,143,271	6,569,743	41,713,014	33,847,602
Internally restricted (note 6)	-	-	2,858,743	2,858,743	10,073,393
Unrestricted	<u>12,452,276</u>	<u>-</u>	<u>-</u>	<u>12,452,276</u>	<u>4,588,209</u>
	<u>12,597,901</u>	<u>35,143,271</u>	<u>9,428,486</u>	<u>57,169,658</u>	<u>48,748,825</u>
	<u>\$ 14,832,322</u>	<u>\$ 35,143,271</u>	<u>\$ 9,428,486</u>	<u>\$ 59,404,079</u>	<u>\$ 51,027,000</u>

Approved on behalf of the Board



Director



Director

See accompanying Notes to the Financial Statements



HAMILTON HEALTH SCIENCES FOUNDATION

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STATEMENT OF REVENUE, EXPENSES AND FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2009

	<i>General Fund</i>	<i>Restricted Fund</i>	<i>Endowment Fund</i>	<i>Total 2009</i>	<i>Total 2008 (note 15)</i>
Revenue					
Donations and events (note 5(a))	\$ 1,020,470	\$ 14,388,715	\$ 1,267,730	\$ 16,676,915	\$ 13,433,206
Investment (notes 5(b) and 6)	<u>3,830,915</u>	<u>1,795,546</u>	<u>70,172</u>	<u>5,696,633</u>	<u>(5,000,450)</u>
	<u>4,851,385</u>	<u>16,184,261</u>	<u>1,337,902</u>	<u>22,373,548</u>	<u>8,432,756</u>
Expenses					
Salaries and employee benefits	1,675,704	1,512,570	-	3,188,274	3,449,402
Administrative	635,814	959,882	-	1,595,696	2,000,478
Amortization	<u>97,830</u>	<u>-</u>	<u>-</u>	<u>97,830</u>	<u>130,507</u>
	<u>2,409,348</u>	<u>2,472,452</u>	<u>-</u>	<u>4,881,800</u>	<u>5,580,387</u>
Excess of Revenue over Expenses	2,442,037	13,711,809	1,337,902	17,491,748	2,852,369
Donations and Charitable Programs	<u>(962,266)</u>	<u>(8,108,649)</u>	<u>-</u>	<u>(9,070,915)</u>	<u>(16,834,295)</u>
Increase (Decrease) in Fund Balances	1,479,771	5,603,160	1,337,902	8,420,833	(13,981,926)
Fund Balances - Beginning of year	4,827,830	28,557,590	15,363,405	48,748,825	62,730,751
Interfund Transfers (note 7)	<u>6,290,300</u>	<u>982,521</u>	<u>(7,272,821)</u>	<u>-</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 12,597,901</u>	<u>\$ 35,143,271</u>	<u>\$ 9,428,486</u>	<u>\$ 57,169,658</u>	<u>\$ 48,748,825</u>

See accompanying Notes to the Financial Statements



HAMILTON HEALTH SCIENCES FOUNDATION

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008 <i>(note 15)</i>
Cash Flows from Operating Activities		
Excess of revenue over expenses	\$ 17,491,748	\$ 2,852,369
Less donations and charitable programs	(9,070,915)	(16,834,295)
Adjustments for non-cash items		
Amortization	97,830	130,507
(Gain) loss on portfolio investments	<u>(3,984,623)</u>	<u>7,119,122</u>
	4,534,040	(6,732,297)
Changes in non-cash working capital <i>(note 8)</i>	<u>(66,632)</u>	<u>(518,810)</u>
	<u>4,467,408</u>	<u>(7,251,107)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(3,834)	(32,550)
Proceeds on disposal of portfolio investments	22,486,638	16,136,901
Purchase of portfolio investments	<u>(26,715,999)</u>	<u>(9,706,870)</u>
	<u>(4,233,195)</u>	<u>6,397,481</u>
Increase (Decrease) in Cash and Cash Equivalents	234,213	(853,626)
Cash and Cash Equivalents - Beginning of year	<u>6,327,210</u>	<u>7,180,836</u>
Cash and Cash Equivalents - End of year	\$ <u>6,561,423</u>	\$ <u>6,327,210</u>
Represented by:		
Cash	\$ 5,169,099	\$ 4,207,245
Cash equivalents	<u>1,392,324</u>	<u>2,119,965</u>
	\$ <u>6,561,423</u>	\$ <u>6,327,210</u>

See accompanying Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

1. NATURE OF OPERATIONS

The mission of the Foundation is to raise funds and manage donor gifts for the purpose of supporting outstanding clinical care and research for the communities served by Hamilton Health Sciences. The Foundation is incorporated by Letters Patent as a corporation without share capital under the laws of Ontario, and is a registered charity under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation follows Canadian generally accepted accounting principles in preparing its financial statements. The significant accounting policies used are as follows:

(a) Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions.

The revenue and expenses related to the collection of unrestricted donations and fundraising activities are reported in the General Fund. The Restricted Fund reports amounts for which the use is restricted by the donors and related investment income on the fund balance. The Endowment Fund reports resources contributed with the stipulation that the capital amount be permanently retained. Investment income earned on the externally and internally restricted portions of the Endowment Funds is reported in the Restricted Fund and General Fund, respectively.

(b) Basis of Accounting

Revenue and expenses are recorded on the accrual basis except for donations and events which are recorded as received. Restricted contributions are recognized as revenue of the appropriate restricted fund. Unrestricted contributions are recognized as revenue of the General Fund. Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the statement of revenue, expenses and fund balances.

(c) Financial instruments

The Foundation has chosen to apply Canadian Institute of Chartered Accountants' Handbook section 3861: Financial Instruments - Disclosure and Presentation in place of sections 3862: Financial Instruments - Disclosures and 3863: Financial Instruments - Presentation.

Portfolio investments classified as held-for-trading are recorded at fair value as determined by published price quotations in an active market.

(d) Cash Equivalents

Cash equivalents consist of short-term investments with an initial maturity of three months or less.



NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property and Equipment

Property and equipment are recorded at cost less accumulated amortization. Property and equipment are amortized to estimated residual values at the following annual rates over the estimated useful lives of the related assets:

Furniture and fixtures	5 to 10 years straight-line
Office equipment	3 to 5 years straight-line
Computer equipment	2 to 4 years straight-line

The estimated useful lives of assets are reviewed by management and adjusted, if necessary.

(f) Donated Materials and Services

Donated capital and investments are recorded in the financial statements at fair value on the date of the donation. Donated materials and services are not recorded because the fair market value is not readily determinable. With the exception of volunteer time, such materials and services are not significant.

(g) Employee Benefit Plan

Defined contribution plan accounting is applied to a multi-employer plan, whereby contributions are expensed when due as the Foundation has insufficient information to apply defined benefit plan accounting.

(h) Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and adjustments are made to income in the year in which they become known.

3. PROPERTY AND EQUIPMENT

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>Net Book Value</i>	
			<i>2009</i>	<i>2008</i>
				<i>(note 15)</i>
Furniture and fixtures	\$ 360,786	\$ 228,465	\$ 132,321	\$ 169,444
Office equipment	157,920	157,920	-	38,160
Computer equipment	<u>327,617</u>	<u>314,313</u>	<u>13,304</u>	<u>32,017</u>
	<u>\$ 846,323</u>	<u>\$ 700,698</u>	<u>\$ 145,625</u>	<u>\$ 239,621</u>



NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

4. EXTERNALLY RESTRICTED FUND BALANCES

Major categories of fund balances with externally imposed restrictions are as follows:

	<i>Restricted Fund</i>	<i>Endowment Fund</i>	<i>Total 2009</i>	<i>Total 2008 (note 15)</i>
Hamilton Health Sciences Foundation	\$ 13,970,017	\$ 1,806,237	\$ 15,776,254	\$ 12,637,607
McMaster Children's Hospital / McMaster University Medical Centre	5,238,358	3,389,823	8,628,181	6,683,939
Hamilton General Hospital	2,477,529	195,779	2,673,308	2,611,356
Juravinski Cancer Centre / Henderson Hospital	7,453,698	423,434	7,877,132	5,835,274
St. Peter's Hospital	<u>6,003,669</u>	<u>754,470</u>	<u>6,758,139</u>	<u>6,079,426</u>
	<u>\$ 35,143,271</u>	<u>\$ 6,569,743</u>	<u>\$ 41,713,014</u>	<u>\$ 33,847,602</u>

5. NETTING OF REVENUE AND EXPENSES

(a) Donations and events revenue reported on the Statement of Revenue, Expenses and Fund Balances is recorded net of related expenses. Gross revenue and expenses related to these items are \$ 17,072,000 and \$ 395,000 respectively (2008 - \$ 13,883,000 and \$ 450,000).

(b) Investment income reported is recorded net of portfolio management fees. Gross revenue and expenses related to investments are as follows:

	<i>2009</i>	<i>2008 (note 15)</i>
Interest, dividends and other investment income	\$ 1,916,872	\$ 2,352,346
Gain (loss) on portfolio investments	3,984,623	(7,119,122)
Portfolio management fees	<u>(204,862)</u>	<u>(233,674)</u>
	<u>\$ 5,696,633</u>	<u>\$ (5,000,450)</u>

6. ENDOWMENT FUNDS

During the year, investment income of \$ 536,000 was earned on the Endowment Fund of which \$ 250,000 is included in investment income of the Restricted Fund, \$ 216,000 is included in investment income of the General Fund and the remaining \$ 70,000 is recorded as investment income of the Endowment Fund.



NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

7. INTERFUND TRANSFERS

Transfers to (from) funds consist of the following:

	<i>General Fund</i>	<i>Restricted Fund</i>	<i>Endowment Fund</i>
Recovery of administrative expenses (note 14)	\$ 603,228	\$ (603,228)	\$ -
Approved reallocation of funds to cover commitments	(1,527,577)	1,527,577	-
Approved reallocation of internally restricted funds	7,214,649	-	(7,214,649)
Reclassification of fund balances per donor intent	<u>-</u>	<u>58,172</u>	<u>(58,172)</u>
	<u>\$ 6,290,300</u>	<u>\$ 982,521</u>	<u>\$ (7,272,821)</u>

8. STATEMENT OF CASH FLOWS

Changes in Non-Cash Working Capital

	<i>2009</i>	<i>2008 (note 15)</i>
Accounts receivable	\$ (32,194)	\$ 57,521
Prepaid expenses	9,316	122,964
Accounts payable and Due to Hamilton Health Sciences	(26,974)	(597,215)
Due to St. Peter's Care Centres	<u>(16,780)</u>	<u>(102,080)</u>
	<u>\$ (66,632)</u>	<u>\$ (518,810)</u>

9. FINANCIAL INSTRUMENTS

Fair Value

The Foundation's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and due to Hamilton Health Sciences. The carrying value of these instruments approximates their fair value due to their immediate or short-term liquidity.

Financial instruments also include held-for-trading portfolio investments with a market value of \$ 52,498,000 (2008 - \$ 44,284,000), the cost of which is \$ 46,460,000 (2008 - \$ 42,504,000).

Currency Risk

The organization holds United States dollar denominated cash equivalents and portfolio investments with a cost of \$ 13,356,000. The current market value of these investments is \$ 13,299,000 (\$ 12,681,000 US). These investments are subject to foreign exchange rate fluctuations.



NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

10. COMMITMENTS

The organization has the following annual operating lease commitment including common costs with respect to premises:

Fiscal years ending December 31, 2010	\$ 143,000
2011	143,000
2012	139,000
2013	23,000

In addition, the Foundation has a remaining pledge of \$ 13,082,000 to support the Cornerstone of Care project at Hamilton Health Sciences to be paid over a period of approximately ten years subject to the availability of funds.

11. EMPLOYEE BENEFIT PLAN

(a) Most employees of the Foundation are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. The Plan is accounted for as a defined contribution plan. The Foundation's contributions to the Plan during the year amounted to \$ 201,121 (2008 - \$ 194,858) and are included in salaries and employee benefits expense in the Statement of Revenue, Expenses and Fund Balances. The most recent actuarial valuation of the Plan as at December 31, 2008 indicates that the Plan has a 3 % deficit in disclosed actuarial assets and is fully funded on a solvency basis.

(b) The Foundation has accrued its estimated obligations for non-pension post-retirement benefits based on an actuarial valuation performed in February 2010. As at December 31, 2009, the Foundation's accrued benefits liability is \$22,000.

12. CREDIT FACILITIES

The organization's credit facilities include an unsecured \$ 1,000,000 demand operating line of credit bearing interest at prime minus 0.35% per annum.

13. CAPITAL DISCLOSURES

In managing capital, the Foundation focuses on liquid resources available for operations. Its objective is to have sufficient liquid resources to continue operating in accordance with its mission despite adverse financial events and to provide it with the flexibility to take advantage of opportunities. The need for sufficient liquid resources is considered in the preparation of an annual budget, the monitoring of cash flows, the comparison of actual operating results to budget and ensuring adherence with the approved investment policy.

There have not been any changes to the Foundation's capital management strategy during the year.

14. ALLOCATED EXPENSES

The Foundation allocates certain of its administrative expenses to restricted funds as a percentage of revenue in excess of an approved threshold. In the current year, \$ 603,000 (2008 - \$ 562,000) of administrative expenses were allocated to fund expenses.



NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

15. AMALGAMATION

The Foundation was formed as a result of the amalgamation of Hamilton Health Sciences Foundation, Juravinski Cancer Centre Foundation and St. Peter's Foundation effective January 1, 2009. The amalgamation has been accounted for using the continuity of interests method and, as a result, the comparative figures are presented as if the entities had been combined since their inception.

The net assets of each of the combining entities as at January 1, 2009 were as follows:

	<i>Hamilton Health Sciences Foundation</i>	<i>Juravinski Cancer Centre Foundation</i>	<i>St. Peter's Foundation</i>	<i>Combining Adjustments</i>	<i>Combined</i>
Current assets	\$ 39,033,000	\$ 5,904,000	\$ 6,245,000	\$ (395,000)	\$ 50,787,000
Property and equipment	231,000	9,000	-	-	240,000
Current liabilities	1,980,000	528,000	165,000	(395,000)	2,278,000
Fund balances	37,284,000	5,385,000	6,080,000	-	48,749,000

