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SOUTH MUSKOKA HOSPITAL FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2007

Bracebridge

F. Glenn Gordon, C.A.

Parry Sound

Donald T. J. Cull, C.A.

Stephen L. Gingrich, C.A., CFP

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FINANCIAL STATEMENTS

JUNE 30, 2007

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AUDITORS' REPORT

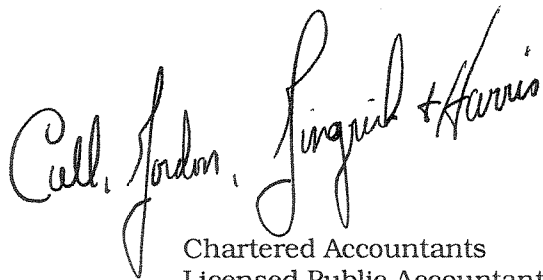
To the Members of South Muskoka Hospital Foundation

We have audited Balance Sheet of South Muskoka Hospital Foundation as at June 30, 2007 and the Statements of Changes in Net Assets, Operations 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 non-profit organizations, the Foundation derives receipts from donations and fund raising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation, and we are unable to determine whether any adjustments might be necessary to donation and fund raising revenue, excess of revenues over expenses and net assets.

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 the donations and fund raising receipts referred to in the previous paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Cull, Gordon, Gingrich & Harris
Chartered Accountants
Licensed Public Accountants

Bracebridge, Ontario
August 2, 2007

Cull, Gordon, Gingrich & Harris

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SOUTH MUSKOKA HOSPITAL FOUNDATION

BALANCE SHEET
AS AT JUNE 30, 2007

	2007	2006
ASSETS		
<i>Current</i>		
Cash	\$ 646,453	\$ 602,474
Marketable Investments (Note 1)	714,803	623,665
Accrued Interest Receivable	860	1,680
Other Receivables	4,735	11,046
<u>Prepaid Expense</u>	<u>0</u>	<u>2,943</u>
	\$ 1,366,851	\$ 1,241,808
 <i>Contributions Receivable – Note 2</i>	 0	 3,287
 <i>Capital Assets – Note 3</i>	 4,589	 2,523
	\$ 1,371,440	\$ 1,247,618

LIABILITIES		
<i>Current</i>		
Accounts Payable and Accrued Liabilities	\$ 10,070	\$ 13,329
<u>Due to Muskoka Algonquin Health Care</u>	<u>24,752</u>	<u>7,371</u>
	\$ 34,822	\$ 20,700

NET ASSETS		
Unrestricted Net Assets	\$ 1,114,868	\$ 1,040,114
Externally Restricted Net Assets – Note 4	217,161	184,281
<u>Net Assets Invested in Capital Assets</u>	<u>4,589</u>	<u>2,523</u>
	\$ 1,336,618	\$ 1,226,918
	\$ 1,371,440	\$ 1,247,618

The accompanying notes are an integral part of these Financial Statements.

On Behalf of the Board:

Director

SOUTH MUSKOKA HOSPITAL FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2007

	Unrestricted	Externally Restricted	Invested In Capital Assets	Total 2007	Total 2006
Net Assets, Beginning of Year	\$1,040,114	\$ 184,281	\$ 2,523	\$ 1,226,918	\$ 1,128,449
Excess of Revenues over Expenses For the Year	74,754	0	2,066	76,820	98,469
Restricted Contributions	0	32,880	0	32,880	0
Net Assets, End of Year	\$1,114,868	\$ 217,161	\$ 4,589	\$ 1,336,618	\$ 1,226,918

The accompanying notes are an integral part of these Financial Statements.

SOUTH MUSKOKA HOSPITAL FOUNDATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2007

	2007	2006
<i>Revenue</i>		
Donations		
Community Organizations	\$ 261,238	\$ 189,808
Corporations	187,088	108,641
Foundations	25,470	17,502
Individuals	1,153,371	536,389
In Memoriam	72,488	104,097
Special Projects	82,221	43,124
	<u>\$1,781,876</u>	<u>\$ 999,561</u>
Estates	73,223	197,536
	<u>\$1,855,099</u>	<u>\$ 1,197,097</u>
Other Income		
Investment Income	55,424	85,744
Foreign Exchange Gain (Loss)	0	2,843
	<u>\$1,910,523</u>	<u>\$ 1,285,684</u>
<i>Expenses</i>		
Advertising	\$ 1,587	\$ 1,625
Amortization	709	1,115
Bank Charges and Interest	8,219	4,112
Education and Travel	1,211	1,531
Fundraising	111,373	252,370
General and Office	26,593	26,680
Investment Management	0	4,139
Legal, Audit and Professional Services	15,450	11,773
Printing	8,394	36,650
Provision for Uncollectible Pledges	2,000	13,175
Wages and Benefits	211,018	206,428
	<u>\$ 386,554</u>	<u>\$ 559,598</u>
<i>Excess of Revenues over Expenses</i>	<u>\$1,523,969</u>	<u>\$ 726,086</u>
<i>Contributions Paid or Payable</i>		
Grants from Endowments	\$ 14,858	\$ 13,371
Capital Campaign (Phase II) – Note 6	400,000	400,000
Capital Campaign (Diagnostic Imaging) – Note 6	1,000,000	200,000
Other Designated Gifts	32,291	14,246
	<u>\$1,447,149</u>	<u>\$ 627,617</u>
Excess of Revenues Over Expenses and Contributions Paid or Payable for the Year	<u>\$ 76,820</u>	<u>\$ 98,469</u>

The accompanying notes are an integral part of these Financial Statements.

SOUTH MUSKOKA HOSPITAL FOUNDATIONSTATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

	2007	2006
<i>Cash Provided by Operating Activities</i>		
Excess of Revenues Over Expenditures and Contributions Paid		
Or Payable for the Year	\$ 76,820	\$ 98,469
<u>Amortization</u>	709	1,115
	\$ 77,529	\$ 99,584
<i>Changes in Non-Cash Working Capital Balances</i>		
Accounts Receivable	7,131	(5,375)
Prepaid Expense	2,943	(2,943)
Contributions Receivable	3,287	55,439
Accounts Payable and Accrued Liabilities	(3,259)	(2,577)
<u>Due to Muskoka Algonquin Health Care</u>	17,381	3,101
	\$ 105,012	\$ 147,229
<i>Investing Activities</i>		
Purchase of Capital Assets	\$ (2,775)	\$ (1,922)
<u>Restricted Contributions Received</u>	32,880	0
	\$ 30,105	\$ (1,922)
<i>Net Change in Cash and Equivalents, During the Year</i>		
	\$ 135,117	\$ 145,307
<u>Cash and Equivalents, Beginning of the Year</u>	1,226,139	1,080,832
Cash and Equivalents, End of the Year	\$ 1,361,256	\$ 1,226,139
<i>Represented by:</i>		
Cash	\$ 646,453	\$ 602,474
<u>Marketable Investments</u>	714,803	623,665
	\$ 1,361,256	\$ 1,226,139

The accompanying notes are an integral part of these Financial Statements.

SOUTH MUSKOKA HOSPITAL FOUNDATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED JUNE 30, 2007

NATURE AND PURPOSE OF ORGANIZATION

The South Muskoka Hospital Foundation is a non-profit organization incorporated without share capital under the laws of Ontario. The Foundation is involved in raising funds for the benefit of the South Muskoka Memorial Site and/or persons or associations in the health care field in the community. The Foundation is to be carried on without pecuniary gain to its members and any profits or other accretions are to be used in promoting its objectives.

The Foundation is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

SIGNIFICANT ACCOUNTING POLICIES

GENERAL

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes the revenues as they become available and measurable; expenses are recognized, as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

REVENUE RECOGNITION

The Foundation follows the cash method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

FOREIGN CURRENCY

Foreign currency accounts are translated to Canadian dollars as follows: At the transaction date, each asset, liability, revenue or 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 exchange rate.

FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash, marketable investments, accounts receivable, accounts payable and accrued liabilities and amounts due to related parties. The carrying value of financial instruments approximates their fair value due to their short term nature. Unless otherwise noted, it is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from its financial instruments.

SOUTH MUSKOKA HOSPITAL FOUNDATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED JUNE 30, 2007

CONTRIBUTIONS RECEIVABLE

Contributions receivable are recognized as an asset when the amounts to be received can be reasonably estimated and ultimate collection is reasonably assured.

CONTRIBUTED SERVICES

A number of volunteers contribute a significant amount of time each year to the Foundation. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

CONTRIBUTED MATERIALS

Contributed materials which are used in the normal course of the organization'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.

MARKETABLE INVESTMENTS

Marketable investments are recorded at the lower of cost.

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization based on the estimate useful life of the assets are as follows:

Equipment	- 5 - 10 years straight line basis
Computer Equipment	- 5 years straight line basis
Computer Software	- 1 year straight line basis

PENSION PLAN

The Foundation maintains a multi-employer defined benefit pension plan which covers substantially all of its employees. Contributions are made to the Hospital of Ontario Pension Plan.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and bank balances.

SOUTH MUSKOKA HOSPITAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1. MARKETABLE INVESTMENTS

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
GIC	\$ 482,783	\$ 482,783	\$ 442,328	\$ 442,328
Mutual Funds	<u>232,020</u>	<u>232,732</u>	<u>181,337</u>	<u>178,874</u>
	\$ 714,803	\$ 715,515	\$ 623,665	\$ 621,202

Included in the above balance is a restricted endowment amount of \$217,161 (Note 4).

2. CONTRIBUTIONS RECEIVABLE

	<u>2007</u>	<u>2006</u>
Contributions Receivable	\$ 487,046	\$ 488,333
Allowance for Uncollectible Pledges	<u>487,046</u>	<u>485,046</u>
	\$ 0	\$ 3,287

The Foundation's policy for present and future campaigns is that they will recognize pledges in the year that they are received in cash or kind.

SOUTH MUSKOKA HOSPITAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

3. CAPITAL ASSETS

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment	\$ 74,685	\$ 72,050	\$ 71,911	\$ 71,911
Computer Equipment	7,018	5,064	7,018	4,495
Computer Software	29,131	29,131	29,131	29,131
	\$ 110,834	\$ 106,245	\$ 108,060	\$ 105,537
Net Book Value		\$ 4,589		\$ 2,523

4. EXTERNALLY RESTRICTED NET ASSETS

In June, 2001, August, 2003, September, 2004, July 2006, the Foundation received restricted contributions in the amounts of \$ 125,000, \$ 40,747, \$ 18,534, and \$ 32,880 respectively. As designated by the donors, these contributions must be kept invested for a minimum of ten years and the income must be used for nursing and staff education.

5. CONTRIBUTED MATERIALS

Management has determined the value of contributions of goods and advertising to be \$ 10,292 (2006 - \$ 1,673). This amount has been recorded as both donation revenue and campaign expenses in the statement of operations and net assets.

6. CAPITAL CAMPAIGN

In 1999, the Foundation entered into a capital campaign to raise funds for Phase II of redevelopment of Muskoka Algonquin Health Care Bracebridge Site. To date, \$ 11,065,000 has been donated to the Muskoka Algonquin Health Care Bracebridge Site for the Phase II redevelopment plan.

In 2005, a similar campaign was commenced to raise funds for diagnostic imaging. To date \$ 1,200,000 has been donated to Muskoka Algonquin Health Care Bracebridge Site.

7. RELATED PARTY TRANSACTIONS

The Foundation was established to raise funds for the use of the hospital and of other organizations in the community with similar objectives.

During the year, the Foundation contributed \$ 1,447,149 (2006 - \$ 621,617) in grants to the Muskoka Algonquin Healthcare Bracebridge Site.

SOUTH MUSKOKA HOSPITAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

8. PENSION PLAN

Substantially all of the employees of the Foundation are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. 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 provide the highest earnings.

For 2007, employee contributions were based on 6.9% (2006 - 6.9%) of earnings up to \$ 43,700 (2006 - \$ 42,100) and 9.2% (2005 - 9.2%) on earnings above this level. The Foundation contributes 1.26 (2005 - 1.26) times the employee contributions.

Contributions to the Plan made during the year by the Foundation on behalf of its employees amounted to approximately \$ 15,806 (2006 - \$ 14,833).

9. COMMITMENT

The Foundation with funds from designated donations have issued bursaries to local post-secondary students. The designated time frame for future obligation has expired. The foundation is responsible for past issued bursaries as follows:

2007-08	\$ <u>2,000</u>
	\$ <u>2,000</u>
