

Financial statements of

**The Scarborough
Hospital Foundation**

March 31, 2014

The Scarborough Hospital Foundation

March 31, 2014

Table of contents

Independent Auditor's Report	1-2
Statement of revenue, expenses and changes in fund balances.....	3
Statement of financial position	4
Statement of cash flows	5
Notes to the financial statements	6-10



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Independent Auditor's Report

To the Board of Directors and the Members of
The Scarborough Hospital Foundation

We have audited the accompanying financial statements of The Scarborough Hospital Foundation, which comprise the statement of financial position as at March 31, 2014 and the statements of revenue, expenses and changes in fund balances 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 entity'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 entity'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 The Scarborough Hospital Foundation as at March 31, 2014, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 26, 2014

The Scarborough Hospital Foundation

Statement of revenue, expenses and changes in fund balances year ended March 31, 2014

	2014			2013		
	General fund	Restricted fund	Total	General fund	Restricted fund	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Fundraising						
Annual programs	749,859	203,411	953,270	544,448	257,768	802,216
Community development	30,135	344,548	374,683	94,111	1,290,531	1,384,642
Gift planning	1,028,758	1,848,261	2,877,019	1,552,943	2,319,441	3,872,384
Total fundraising	1,808,752	2,396,220	4,204,972	2,191,502	3,867,740	6,059,242
Parking operations (Note 6)	4,593,099	-	4,593,099	1,966,944	-	1,966,944
Investment income, net (Note 8)	268,909	-	268,909	126,283	-	126,283
	6,670,760	2,396,220	9,066,980	4,284,729	3,867,740	8,152,469
Expenses						
Fundraising programs	367,890	300,594	668,484	311,611	582,187	893,798
Parking operations (Note 6)	1,190,103	-	1,190,103	688,834	-	688,834
Salaries and benefits	1,251,849	96,598	1,348,447	975,712	249,902	1,225,614
Administrative (Note 7)	395,480	-	395,480	290,998	-	290,998
	3,205,322	397,192	3,602,514	2,267,155	832,089	3,099,244
Excess of revenue over expenses before bursaries and grants	3,465,438	1,999,028	5,464,466	2,017,574	3,035,651	5,053,225
Grants and bursaries awarded to The Scarborough Hospital	(4,396,287)	(1,597,094)	(5,993,381)	(807,620)	(2,006,232)	(2,813,852)
(Deficiency) excess of revenue over expenses	(930,849)	401,934	(528,915)	1,209,954	1,029,419	2,239,373
Fund balances, beginning of year	2,738,355	3,338,120	6,076,475	1,184,389	2,652,713	3,837,102
Interfund transfers (Note 9)	215,163	(215,163)	-	344,012	(344,012)	-
Fund balances, end of year	2,022,669	3,524,891	5,547,560	2,738,355	3,338,120	6,076,475

The accompanying notes to financial statements are an integral part of this financial statement.


The Scarborough Hospital Foundation

Statement of financial position
as at March 31, 2014

	2014			2013		
	General fund	Restricted fund	Total	General fund	Restricted fund	Total
	\$	\$	\$	\$	\$	\$
Assets						
Current assets						
Cash and cash equivalents	72,180	808,018	880,198	11,774	203,389	215,163
Accounts receivable (Note 6)	1,590,410	-	1,590,410	1,010,270	-	1,010,270
Prepaid expenses	24,271	83,463	107,734	13,996	5,121	19,117
	1,686,861	891,481	2,578,342	1,036,040	208,510	1,244,550
Investments (Note 4)	1,280,678	3,064,601	4,345,279	1,063,397	3,129,610	4,193,007
Charitable Remainder Trust receivable (Note 5)	839,013	-	839,013	822,804	-	822,804
Capital assets (Note 3)	56,359	-	56,359	72,719	-	72,719
	3,862,911	3,956,082	7,818,993	2,994,960	3,338,120	6,333,080
Liabilities						
Current liabilities						
Due to The Scarborough Hospital (Note 6)	1,452,204	-	1,452,204	205,967	-	205,967
Accounts payable and accrued liabilities	388,038	38	388,076	50,638	-	50,638
Deferred revenue	-	431,153	431,153	-	-	-
	1,840,242	431,191	2,271,433	256,605	-	256,605
Fund balances						
General Fund						
Unrestricted	1,966,310	-	1,966,310	2,665,636	-	2,665,636
Invested in capital assets	56,359	-	56,359	72,719	-	72,719
	2,022,669	-	2,022,669	2,738,355	-	2,738,355
Restricted Fund	-	3,524,891	3,524,891	-	3,338,120	3,338,120
	2,022,669	3,524,891	5,547,560	2,738,355	3,338,120	6,076,475
	3,862,911	3,956,082	7,818,993	2,994,960	3,338,120	6,333,080

On behalf of the Board

 Director

 Director

The accompanying notes to financial statements are an integral part of this financial statement.

The Scarborough Hospital Foundation

Statement of cash flows year ended March 31, 2014

	2014	2013
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(528,915)	2,239,373
Add items not affecting cash		
Amortization of Capital assets	44,975	39,813
Loss on disposal of investments	10,691	400
Interest on Charitable Remainder Trust	(16,209)	(7,656)
Change in unrealized gains on investments	(147,598)	(39,096)
	(637,056)	2,232,834
Changes in non-cash working capital items		
Prepaid expenses	(88,617)	14,833
Accounts receivable	(580,140)	(1,004,511)
Accounts payable and due to The Scarborough Hospital	1,583,675	27,991
Deferred revenue	431,153	(109,500)
Charitable Remainder Trust receivable	-	(815,148)
	709,015	346,499
Investing activities		
Purchase of capital assets	(28,615)	(20,327)
Purchase of investments	(15,365)	(1,566,767)
	(43,980)	(1,587,094)
Net increase (decrease) in cash and cash equivalents	665,035	(1,240,595)
Cash and cash equivalents, beginning of year	215,163	1,455,758
Cash and cash equivalents, end of year	880,198	215,163
Supplementary information		
Cash	808,018	199,626
Cash equivalents	72,180	15,537
	880,198	215,163

The accompanying notes to financial statements are an integral part of this financial statement.

The Scarborough Hospital Foundation

Notes to the financial statements

March 31, 2014

1. Description of the organization

The Scarborough Hospital Foundation (the "Foundation") was incorporated under the *Corporations Act* of Ontario on December 21, 1977.

While it is a separate legal entity from The Scarborough Hospital (the "Hospital"), the Foundation was established to raise additional financial resources for the Hospital and to enhance the profile of the Hospital in the community. These objectives are accomplished through a number of fundraising initiatives planned, implemented, and managed by the Foundation.

The Foundation is a public foundation registered under the *Income Tax Act* (the "Act") and, as such, is not subject to income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. Significant accounting policies

The accompanying financial statements have been prepared in accordance with the Canadian Accounting standards for not-for-profit organizations ("ASNPOs"). The significant accounting policies are summarized below:

Revenue recognition

Income from donations is recorded when received. Donor restricted contributions are recognized as revenue of the Restricted Fund. Unrestricted contributions are recognized as revenue of the General Fund. Funds received in advance relating to future Foundation events for which no restricted fund exists are accounted for as deferred revenue until the period in which the related events take place.

Unrestricted investment income earned on Restricted Fund and General Fund resources is recognized as revenue of the General Fund.

Unrealized gains and losses incurred on the investments are recognized in the Statement of revenue, expenses and changes in fund balances as part of investment income.

Other contributions, including gifts in kind, contributions, and bequests are recognized as revenue when received.

Volunteers' contributed services

Volunteers contribute time to assist the Foundation in carrying out its activities. Because of the difficulty in determining their fair value, volunteers' contributed services are not recognized in the financial statements.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and balances with banks, and short-term deposits with original maturities of 90 days or less.

Capital assets

Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	5 years
Leasehold improvements	5 years
Donor wall	5 years
Computer hardware	2 years
Computer software	2 years

The Scarborough Hospital Foundation

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Fund accounting

The financial statements have been prepared using fund accounting and they separately disclose the activities of the following funds maintained by the Foundation:

- General Fund - reflecting the activities associated with the Foundation's day-to-day operations. The General Fund reports unrestricted resources available for immediate purposes.
- Restricted Fund - includes those funds where resources are to be used for identified purposes as specified by the donor, as stipulated by the fundraising appeal, or as determined by the Board of Directors.

Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the Statement of revenue, expenses and changes in fund balances.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable

Financial liabilities measured at amortized cost include Due to the Scarborough Hospital and accounts payable.

The Foundation's financial assets measured at fair value include quoted shares.

3. Capital assets

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	
Furniture and fixtures	53,145	21,491	31,654	15,806
Leasehold improvements	13,710	4,689	9,021	5,807
Donor wall	172,643	157,406	15,237	49,765
Computer software and hardware	109,446	108,999	447	1,341
	348,944	292,585	56,359	72,719

The Scarborough Hospital Foundation

Notes to the financial statements

March 31, 2014

4. Investments

In May of 2010 the Foundation provided a loan to the Hospital at a rate of prime less ½ %. The loan was recorded at exchange value and has accrued \$35,325 (2013 - \$22,500) in interest. The loan is unsecured and is repayable within 10 business days of demand. Under this agreement the Hospital has committed to maintaining available commercial borrowing capacity with its financial institution to enable the full repayment of its loan from the Foundation at all times.

The cost and fair value of the Foundation's investments at March 31 are as follows:

	2014		
	Cost	Fair value	Effective yield
	\$	\$	%
Fixed income	1,602,258	1,622,150	2.80
Loan to The Scarborough Hospital	1,500,000	1,500,000	3.00
Stocks	967,060	1,223,129	1.31
	4,069,318	4,345,279	

	2013		
	Cost	Fair value	Effective yield
	\$	\$	%
Fixed income	2,197,337	2,232,071	2.75
Loan to The Scarborough Hospital	900,000	900,000	2.00
Stocks	967,333	1,060,936	1.30
	4,064,670	4,193,007	

5. Charitable Remainder Trust receivable

In the prior year, the Foundation entered into a trust agreement which the Foundation has classified as a Charitable Remainder Trust receivable. Capital of \$1,000,000 has been transferred into the trust with the accrued interest to be paid to the grantors and the residual capital to be paid to the Foundation at the date of death of the grantors. The receivable has been measured based on a discounted cash flow analysis, using a risk free 10 year discount rate based on estimated remaining lives of the grantors.

6. Related party transactions

The Foundation and the Hospital are separate legal entities. The Foundation provides financial support to the Hospital to meet its goals and objectives.

The Hospital pays certain expenses on behalf of the Foundation and is reimbursed by the Foundation. The amount due to the Hospital is due on demand and is non-interest bearing. All other related party transactions are disclosed in these financial statements.

The Foundation leases the parking operation from the Hospital. The Hospital charged a fee to the Foundation for managing the operation. There is parking revenue receivable from the Hospital included in accounts receivable in the amount of \$1,365,986 (2013 - \$754,342). There are also accrued grants related to parking revenue included in due to the Hospital in the amount of \$742,451 (2013 - \$Nil).

The Foundation is committed to provide the Hospital with a minimum contribution of \$1,500,000 per year, during the 10 year period commencing in fiscal 2008.

The Foundation's investments are managed by Toron Investment Management, which is controlled by a member of the Foundation's Board of Directors. All transactions incurred are in the normal course of operations.

The Scarborough Hospital Foundation

Notes to the financial statements

March 31, 2014

7. Administration expenses

Administration expenses include the following:

	2014	2013
	\$	\$
Amortization	44,975	39,813
General and office	180,122	154,652
Occupancy	60,639	62,087
Professional and consulting	96,423	33,932
Other	13,321	514
	395,480	290,998

8. Investment income, net

Investment income, net, consists of the following:

	2014	2013
	\$	\$
Revenue	284,407	137,015
Expenses	15,498	10,732
	268,909	126,283

9. Interfund transfers

A total of \$215,163 (2013 - \$344,012) was transferred to the General fund from the Restricted fund as an allocation of restricted funds raised in accordance with the Foundation's policy.

10. Guarantees

In the normal course of business, the Foundation enters into agreements that meet the definition of a guarantee. The Foundation's primary guarantees are as follows:

- i) The Foundation has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements, the Foundation agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement.
- ii) Indemnity has been provided to all directors and officers of the Foundation for various items including, but not limited to, all costs to settle suits or actions due to association with the Foundation, subject to certain restrictions. The Foundation has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnification party served as a director or officer of the Foundation.
- iii) In the normal course of business, the Foundation has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Foundation to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction.

The Scarborough Hospital Foundation

Notes to the financial statements

March 31, 2014

10. Guarantees (continued)

The nature of these indemnification agreements prevents the Foundation from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Foundation has not made any significant payments under such or similar indemnification agreements and, therefore, no amount has been accrued in the statement of financial position with respect to these agreements.

11. Letter of credit

The Foundation obtained two letters of credit during the year-ended March 31, 2014 in the amounts \$24,000 and \$162,500 with respect to Charitable gaming activities. As of March 31, 2014, no amounts have been applied against the letter of credit.

12. Financial instruments

The Foundation, through its exposure to financial assets and liabilities has exposure to the following risks from its use of financial instruments interest rate risk, credit risk and market risk.

Market risk

Market risk arises from the possibility that changes in equity prices will affect the value of investments held by the Foundation. The Foundation endeavors to mitigate this risk by adopting an investment policy which provides appropriate portfolio diversification.

Credit risk

The Foundation's principal financial asset that is subject to credit risk is accounts receivable. The carrying amounts of financial assets on the balance sheet represents the Foundation's maximum credit exposure at the financial statement date. The amounts disclosed in the statement of financial position are net of allowance for doubtful accounts.

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 interest bearing investments held by the Foundation have a limited exposure to interest rate risk due to their short-term maturity. The fixed-income investments held in the Foundation's portfolio, has fixed interest and is subject to interest rate risk.