

Financial statements of

**The Scarborough
Hospital Foundation**

March 31, 2015

The Scarborough Hospital Foundation

March 31, 2015

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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, 2015 and the statements of revenue and expenses, 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, 2015, 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 22, 2015

The Scarborough Hospital Foundation

Statement of revenue and expenses
year ended March 31, 2015

	2015			2014		
	General fund	Restricted fund	Total funds	General fund	Restricted fund	Total funds
	\$	\$	\$	\$	\$	\$
Revenue						
Fundraising						
Annual programs	704,929	104,376	809,305	742,704	199,897	942,601
Community development	239,176	1,430,779	1,669,955	37,290	363,975	401,265
Gift planning	830,161	1,212,513	2,042,674	1,028,758	1,832,348	2,861,106
Total fundraising	1,774,266	2,747,668	4,521,934	1,808,752	2,396,220	4,204,972
Parking operations (Note 6)	5,264,133	-	5,264,133	4,593,099	-	4,593,099
Investment income, net (Note 8)	331,947	-	331,947	268,909	-	268,909
	7,370,346	2,747,668	10,118,014	6,670,760	2,396,220	9,066,980
Expenses						
Fundraising programs	596,005	741,668	1,337,673	367,890	300,594	668,484
Parking operations (Note 6)	1,114,383	-	1,114,383	1,190,103	-	1,190,103
Salaries and benefits	1,274,468	50,589	1,325,057	1,251,849	96,598	1,348,447
Administration (Note 7)	406,084	-	406,084	395,480	-	395,480
	3,390,940	792,257	4,183,197	3,205,322	397,192	3,602,514
Excess of revenue over expenses before grants	3,979,406	1,955,411	5,934,817	3,465,438	1,999,028	5,464,466
Grants to The Scarborough Hospital	(4,318,922)	(1,232,448)	(5,551,370)	(4,396,287)	(1,597,094)	(5,993,381)
(Deficiency) excess of revenue over expenses	(339,516)	722,963	383,447	(930,849)	401,934	(528,915)

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

The Scarborough Hospital Foundation

Statement of changes in fund balances

year ended March 31, 2015

	2015			2014		
	General fund	Restricted fund	Total funds	General fund	Restricted fund	Total funds
	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	2,022,669	3,524,891	5,547,560	2,738,355	3,338,120	6,076,475
(Deficiency) excess of revenue over expenses	(339,516)	722,963	383,447	(930,849)	401,934	(528,915)
Interfund transfers (Note 9)	158,895	(158,895)	-	215,163	(215,163)	-
Fund balances, end of year	1,842,048	4,088,959	5,931,007	2,022,669	3,524,891	5,547,560

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, 2015

	2015			2014		
	General fund	Restricted fund	Total funds	General fund	Restricted fund	Total funds
	\$	\$	\$	\$	\$	\$
Assets						
Current assets						
Cash	131,192	534,259	665,451	72,180	808,018	880,198
Accounts receivable (Note 6)	907,222	-	907,222	1,590,410	-	1,590,410
Prepaid expenses	10,584	7,099	17,683	24,271	83,463	107,734
	1,048,998	541,358	1,590,356	1,686,861	891,481	2,578,342
Investments (Note 4)	978,954	3,564,601	4,543,555	1,280,678	3,064,601	4,345,279
Charitable Remainder Trust receivable (Note 5)	855,542	-	855,542	839,013	-	839,013
Capital assets (Note 3)	41,509	-	41,509	56,359	-	56,359
	2,925,003	4,105,959	7,030,962	3,862,911	3,956,082	7,818,993
Liabilities						
Current liabilities						
Due to The Scarborough Hospital (Note 6)	1,032,963	-	1,032,963	1,452,204	-	1,452,204
Accounts payable and accrued liabilities	49,992	-	49,992	388,038	38	388,076
Deferred revenue	-	17,000	17,000	-	431,153	431,153
	1,082,955	17,000	1,099,955	1,840,242	431,191	2,271,433
Fund balances						
General Fund						
Unrestricted	1,800,539	-	1,800,539	1,966,310	-	1,966,310
Invested in capital assets	41,509	-	41,509	56,359	-	56,359
	1,842,048	-	1,842,048	2,022,669	-	2,022,669
Restricted Fund						
	-	4,088,959	4,088,959	-	3,524,891	3,524,891
	1,842,048	4,088,959	5,931,007	2,022,669	3,524,891	5,547,560
	2,925,003	4,105,959	7,030,962	3,862,911	3,956,082	7,818,993

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, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	383,447	(528,915)
Add items not affecting cash		
Amortization of capital assets	22,884	44,975
Loss on disposal of investments	2,932	10,691
Interest on Charitable Remainder Trust	(16,529)	(16,209)
Change in unrealized gains on investments	(198,200)	(147,598)
	194,534	(637,056)
Changes in non-cash working capital items		
Prepaid expenses	90,051	(88,617)
Accounts receivable	683,188	(580,140)
Due to The Scarborough Hospital	(419,241)	1,246,237
Accounts payable and accrued liabilities	(338,084)	337,438
Deferred revenue	(414,153)	431,153
	(203,705)	709,015
Investing activities		
Purchase of capital assets	(8,034)	(28,615)
Net purchase of investments	(3,008)	(15,365)
	(11,042)	(43,980)
Net (decrease) increase in cash	(214,747)	665,035
Cash, beginning of year	880,198	215,163
Cash, end of year	665,451	880,198

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, 2015

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 and expenses as part of investment income.

Other contributions, including gifts in kind, contributions, and bequests are recognized as revenue when received. Charitable trust remainders are recognized as revenue when the amount to be received can be reasonably estimated, and collection is ultimately assured.

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.

The Scarborough Hospital Foundation

Notes to the financial statements

March 31, 2015

2. Significant accounting policies (continued)

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 software and hardware	2 years

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 and fixed income, which are measured at fair value. Changes in fair value are recognized in the Statement of revenue and expenses.

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 equity and fixed income investments.

The Scarborough Hospital Foundation

Notes to the financial statements

March 31, 2015

3. Capital assets

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
	\$	\$	\$	\$
Furniture and fixtures	53,145	30,142	23,003	31,654
Leasehold improvements	13,710	7,431	6,279	9,021
Donor wall	172,643	164,434	8,209	15,237
Computer software and hardware	91,779	87,761	4,018	447
	331,277	289,768	41,509	56,359

4. Investments

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

	Cost	Fair value	2015 Effective yield
	\$	\$	%
Fixed income	1,602,258	1,693,059	3.75
Loan to The Scarborough Hospital (Note 6)	1,500,000	1,500,000	2.46
Equity	967,060	1,350,496	1.16
	4,069,318	4,543,555	

	Cost	Fair value	2014 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
Equity	967,060	1,223,129	1.31
	4,069,318	4,345,279	

5. Charitable Remainder Trust receivable

In fiscal 2013, 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.

The Scarborough Hospital Foundation

Notes to the financial statements

March 31, 2015

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 charges a fee to the Foundation for managing the operation. There is a parking revenue receivable from the Hospital included in accounts receivable in the amount of \$687,015 (2014 - \$1,365,986). There are also accrued grants related to parking revenue included in due to the Hospital in the amount of \$748,120 (2014 - \$742,451).

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.

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 interest is paid monthly. 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 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.

7. Administration expenses

Administration expenses include the following:

	2015	2014
	\$	\$
Amortization	22,884	44,975
General and office	216,428	180,122
Occupancy	81,535	60,639
Professional and consulting	61,213	96,423
Other	24,024	13,321
	<u>406,084</u>	<u>395,480</u>

The Scarborough Hospital Foundation

Notes to the financial statements

March 31, 2015

8. Investment income, net

Investment income, net, consists of the following:

	2015	2014
	\$	\$
Revenue	347,178	284,407
Expenses	15,231	15,498
	<u>331,947</u>	<u>268,909</u>

9. Interfund transfers

A total of \$158,895 (2014 - \$215,163) 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, 2015

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 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 has two letters of credit with respect to Charitable gaming activities. As of March 31, 2015, the available letters of credit were \$24,000 (2014 - \$24,000) and \$162,500 (2014 - \$162,500). As of March 31, 2015, no amounts have been applied against these letters of credit (2014 - \$Nil).

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.

13. Comparative figures

Certain comparative numbers have been reclassified to conform to the current year presentation.