

Lakeridge Health Foundation

Financial Statements
March 31, 2018



June 28, 2018

Independent Auditor's Report

To the Members of the Audit Committee of the Board of Directors of Lakeridge Health Foundation

We have audited the accompanying financial statements of Lakeridge Health Foundation, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in fund balances and cash flows for the year then ended, and the related notes, which comprise 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 is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215*



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lakeridge Health Foundation as at March 31, 2018 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Lakeridge Health Foundation


Statement of Financial Position

As at March 31, 2018

(in thousands of dollars)

				2018	2017
	Unrestricted Fund	Restricted Fund	Endowment Fund	Total	Total
	\$	\$	\$	\$	\$
Assets					
Current assets					
Cash and cash equivalents	7,264	-	-	7,264	5,242
Accounts receivable	187	-	-	187	195
Prepaid expenses	9	-	-	9	10
Due from Unrestricted Fund	-	14,808	-	14,808	13,716
	7,460	14,808	-	22,268	19,163
Investments (note 4)	36,833	2,913	77	39,823	36,279
Capital assets (note 5)	4,458	-	-	4,458	4,503
	48,751	17,721	77	66,549	59,945
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	291	-	-	291	278
Due to Lakeridge Health (note 8)	1,711	-	-	1,711	16
Due to Restricted Fund	14,808	-	-	14,808	13,716
Deferred donations	50	4	-	54	59
	16,860	4	-	16,864	14,069
Fund Balances					
Externally restricted (note 7)	-	17,691	77	17,768	15,041
Internally restricted (note 7)	22,000	26	-	22,026	22,000
Unrestricted	9,891	-	-	9,891	8,835
	31,891	17,717	77	49,685	45,876
	48,751	17,721	77	66,549	59,945

Approved by the Board of Directors



Director



Director

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

Lakeridge Health Foundation

Statement of Operations

For the year ended March 31, 2018

(in thousands of dollars)

				2018	2017
	Unrestricted Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$	Total \$
Income					
Donations received					
Cash	899	4,365	-	5,264	5,188
In-kind	12	14	-	26	12
Change in fair value of investments	1,956	57	2	2,015	4,249
Rental income	256	-	-	256	256
	<u>3,123</u>	<u>4,436</u>	<u>2</u>	<u>7,561</u>	<u>9,705</u>
Expenses					
Administrative	941	-	-	941	958
Fundraising	995	8	-	1,003	849
Investment	131	-	-	131	126
	<u>2,067</u>	<u>8</u>	<u>-</u>	<u>2,075</u>	<u>1,933</u>
Excess of income over expenses before undernoted	<u>1,056</u>	<u>4,428</u>	<u>2</u>	<u>5,486</u>	<u>7,772</u>
Grants to Lakeridge Health	<u>-</u>	<u>(1,677)</u>	<u>-</u>	<u>(1,677)</u>	<u>(1,514)</u>
Excess of income over expenses for the year	<u>1,056</u>	<u>2,751</u>	<u>2</u>	<u>3,809</u>	<u>6,258</u>

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

Lakeridge Health Foundation

Statement of Changes in Fund Balances

For the year ended March 31, 2018

(in thousands of dollars)

	Unrestricted Fund			Restricted Fund			Endowment Fund	2018	2017
	Internally restricted \$	Unrestricted \$	Total \$	Internally restricted \$	Restricted \$	Total \$	Total \$		
Balance - Beginning of year	22,000	8,835	30,835	-	15,041	15,041	-	45,876	39,618
Interfund transfers	-	-	-	25	(100)	(75)	75	-	-
Excess of income over expenses for the year	-	1,056	1,056	1	2,750	2,751	2	3,809	6,258
Balance - End of year	22,000	9,891	31,891	26	17,691	17,717	77	49,685	45,876

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

Lakeridge Health Foundation

Statement of Cash Flows

For the year ended March 31, 2018

(in thousands of dollars)

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Excess of income over expenses for the year	3,809	6,258
Items not affecting cash		
Change in fair value of investments	(1,010)	4,246
Amortization	65	64
Changes in non-cash working capital		
Accounts receivable	8	368
Prepaid expenses	1	3
Accounts payable and accrued liabilities	13	20
Due to/from Lakeridge Health	1,695	(913)
Deferred donations	(5)	(6)
	<hr/> 4,576	<hr/> 10,040
Investing activities		
Acquisition of capital assets	(20)	(150)
Purchase of investments - net of proceeds	(2,534)	(8,438)
	<hr/> (2,554)	<hr/> (8,588)
Change in cash and cash equivalents during the year	2,022	1,452
Cash and cash equivalents - Beginning of year	<hr/> 5,242	<hr/> 3,790
Cash and cash equivalents - End of year	<hr/> <hr/> 7,264	<hr/> <hr/> 5,242

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

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

1 Status and nature of activities

Lakeridge Health Foundation (the Foundation) is a registered charity under the Income Tax Act (Canada), which raises and invests funds for the benefit of Lakeridge Health, in respect of activities related to health and/or related social and educational purposes of the community. As a registered charity, the Foundation is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Canadian Accounting Standards Board.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Unrestricted Fund accounts for the non-restricted donations and the Foundation's general operations. The internally restricted amount within the Unrestricted Fund is used to guarantee the parking lot financing with Lakeridge Health. Other internally restricted amounts within the Unrestricted Fund have been restricted by the Board of Directors to ensure the long-term viability of the Foundation.

The Restricted Fund and Endowment Fund account for externally restricted contributions as set out in note 7 to the financial statements.

Revenue recognition

Revenue from donations and fundraising activities is recorded when received. Non-restricted contributions are recognized as revenue of the Unrestricted Fund. Donor restricted contributions are recorded as revenue of the appropriate Restricted Fund or the Endowment Fund. Other contributions, including gifts in-kind, are recognized as revenue when received.

Investments and investment income

Investments are recorded at quoted fair values. The fair values of the units in pooled funds are based on the quoted fair values of the securities held by the pooled funds and are provided by the administrators of the pooled funds.

Investment income and unrealized gain (loss) are allocated between the Unrestricted Fund, Restricted Fund and Endowment Fund based on the ending fund balances.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand with a major financial institution.

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

Deferred donations and prepaid expenses

Deferred donations represent donations received in advance for subsequent years' fundraising events. These amounts are recognized as revenue in the year in which the event occurs, together with any associated costs.

Costs directly related to future fundraising events are presented as prepaid expenses when the Foundation can reliably demonstrate the event meets the criteria for recognition as an intangible asset. The related costs are expensed once the event has been held. Such costs are expensed immediately when there is sufficient evidence that the event does not meet the criteria for recognition as an intangible asset.

Financial instruments and risk management

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification below.

Cash and cash equivalents are recorded at fair value.

Investments are recorded at fair value. Changes in the value of the portfolio are reflected in the statement of operations. Transaction costs related to financial assets are expensed as incurred.

Accounts receivable, accounts payable and accrued liabilities and due to Lakeridge Health are measured at amortized cost, which approximates fair value due to the short-term maturity of the instrument.

Capital assets

Capital assets are recorded at cost. Renovation costs to maintain normal operating efficiency are expensed as incurred. Maintenance, repairs and minor replacements are also expensed as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets at the following rates:

Office improvements	10 years
Furniture and fixtures	5 years

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3 Interfund transfers

During the year ended March 31, 2018, Lakeridge Health made principal payments on its parking garage loan of \$nil (2017 - \$839) through the transfer of \$nil (2017 - \$839) between the internally restricted funds included in the Foundation's Unrestricted Fund.

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

4 Investments

Investments consist of the following amounts held in units of various pooled funds and comprise the following:

	2018 \$	2017 \$
Pooled funds		
Cash and equivalents	2,516	1,963
Fixed income	13,528	11,275
Equities	23,779	23,041
	<hr/> 39,823	<hr/> 36,279
Aggregate cost	<hr/> 38,813	<hr/> 40,525

5 Capital assets

	<hr/> 2018		<hr/> 2017	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	4,292	-	4,292	4,292
Office improvements	610	454	156	201
Furniture and fixtures	109	99	10	10
	<hr/> 5,011	<hr/> 553	<hr/> 4,458	<hr/> 4,503

Amortization of assets is calculated at rates set out in note 2. Amortization expense for 2018 totalled \$65 (2017 - \$64).

In 2016, the Foundation acquired land adjacent to Lakeridge Health with an estimated fair value of \$3,800 excluding transaction costs. To acquire this land, the Foundation paid \$3,000 to the vendor. The remaining \$800 has been donated to the Foundation on the basis that this donation will be allocated to the Operating Room/Surgical Program of Lakeridge Health over a five-year period. As such, an \$800 in-kind donation has been recognized in the Restricted Fund of the Foundation in a prior year, which is payable to the Restricted Fund from the Unrestricted Fund in which the land has been recognized.

The Foundation has subsequently leased the land to Lakeridge Health for a 20-year period at an annual lease rate that escalates from \$200 to \$349 over the period of the lease. Lakeridge Health intends to use the land to provide additional parking services to its patients. Given the terms of the lease, the Foundation has treated the lease as an operating lease in these financial statements.

6 Contingent liabilities

The Foundation has been named as a defendant in a legal action in which damages have been sought. The outcome of this action was not determinable as at March 31, 2018.

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2018

(in thousands of dollars)

As at March 31, 2018, the Foundation has a letter of credit in the amount of \$18.

7 Commitments

The Foundation holds all funds received or to be received in the Restricted Fund for use by Lakeridge Health in the redevelopment and expansion of existing and future buildings. The Foundation will maintain the funds and will pay to Lakeridge Health, from time to time, such amounts as are requested in writing for such purposes with appropriate supporting documentation.

The Foundation also holds all funds received for Lakeridge Health to be used for medical equipment or other capital equipment, or both, research and education, provided that any such monies, property and pledges designated for a specific purpose shall be paid to Lakeridge Health for such purposes. The Foundation will maintain the funds and will pay Lakeridge Health, from time to time, such amounts as are requested in writing for such purposes with appropriate supporting documentation.

Designated donations and grants of \$17,691 as at March 31, 2018 (2017 - \$15,041) are held in the Restricted Fund for Lakeridge Health. Designated donations and grants of \$77 (2017 - \$nil) are held in the Endowment Fund.

8 Related party transactions

The Foundation has utilized office space in Lakeridge Health's Oshawa and Whitby sites since June 2010. Lakeridge Health charges a nominal fee of one dollar annually for the use of this space. In addition, Lakeridge Health provides a number of services to the Foundation, including payroll, human resources and some financial processes. Lakeridge Health does not charge the Foundation a fee for these services.

Other related party transactions with Lakeridge Health have been disclosed in note 5.