

Lakeridge Health Foundation

Financial Statements

March 31, 2015



July 13, 2015

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, 2015 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lakeridge Health Foundation as at March 31, 2015 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, 2015

			2015	2014
	Unrestricted Fund	Restricted Fund	Total	Total
	\$	\$	\$	\$
Assets				
Current assets				
Cash	5,854,540	-	5,854,540	6,077,945
Accounts receivable	31,211	-	31,211	5,967
Prepaid expenses	6,281	-	6,281	13,909
Due from General Fund	-	8,426,551	8,426,551	6,324,043
	5,892,032	8,426,551	14,318,583	12,421,864
Investments (note 4)	31,453,293	1,333,210	32,786,503	30,585,080
Capital assets (note 5)	627,561	-	627,561	598,328
	37,972,886	9,759,761	47,732,647	43,605,272
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	440,827	-	440,827	277,475
Due to Lakeridge Health	91,392	-	91,392	358,379
Due to Restricted Fund	8,426,551	-	8,426,551	6,324,043
Deferred donations	42,820	-	42,820	57,500
	9,001,590	-	9,001,590	7,017,397
Fund balances				
Externally restricted (notes 2 and 7)	-	9,759,761	9,759,761	7,653,827
Internally restricted (notes 2 and 6)	22,000,000	-	22,000,000	22,000,000
Unrestricted	6,971,296	-	6,971,296	6,934,048
	28,971,296	9,759,761	38,731,057	36,587,875
	37,972,886	9,759,761	47,732,647	43,605,272

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, 2015

	2015			2014
	Unrestricted Fund \$	Restricted Fund \$	Total \$	Total \$
Income				
Donations received				
Cash	328,195	2,937,904	3,266,099	2,743,792
In-kind	103,403	21,815	125,218	3,000
Investment income (note 4)	1,684,211	565,374	2,249,585	4,691,173
	<u>2,115,809</u>	<u>3,525,093</u>	<u>5,640,902</u>	<u>7,437,965</u>
Expenses				
Administrative	1,012,398	-	1,012,398	776,244
Fundraising	1,010,241	62,815	1,073,056	741,864
Investment	79,831	26,783	106,614	121,594
	<u>2,102,470</u>	<u>89,598</u>	<u>2,192,068</u>	<u>1,639,702</u>
Excess of income over expenses before undernoted	13,337	3,435,495	3,448,832	5,798,263
Grants to Lakeridge Health	119	(1,332,648)	(1,332,529)	(2,165,584)
Unrealized gain (loss) on investment	23,792	3,087	26,879	(581,659)
Excess of income over expenses	<u>37,248</u>	<u>2,105,934</u>	<u>2,143,182</u>	<u>3,051,020</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, 2015

					<u>2015</u>		<u>2014</u>
	Internally restricted for loan guarantee \$	Internally restricted \$	Unrestricted \$	Total \$	Restricted Fund \$	Total \$	Total \$
Balance - Beginning of year	2,833,596	19,166,404	6,934,048	28,934,048	7,653,827	36,587,875	33,536,855
Excess of income over expenses	-	-	37,248	37,248	2,105,934	2,143,182	3,051,020
Decrease in parking garage guarantee (note 3)	(955,799)	955,799	-	-	-	-	-
Balance - End of year	1,877,797	20,122,203	6,971,296	28,971,296	9,759,761	38,731,057	36,587,875

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

Lakeridge Health Foundation

Statement of Cash Flows

For the year ended March 31, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Excess of income over expenses	2,143,182	3,051,020
Items not affecting cash		
Change in fair value of investments	(608,538)	(2,227,847)
Amortization	59,810	69,202
Change in non-cash working capital		
Accounts receivable	24,756	6,615
Recoverable expenses	-	2,728
Prepaid expenses	7,628	(6,811)
Accounts payable and accrued liabilities	163,352	(113,625)
Due to/from Lakeridge Health	(266,987)	439,495
	<hr/> 1,523,203	<hr/> 1,220,777
Investing activities		
Acquisition of capital assets	(89,043)	-
Purchase of investments - net of proceeds	(1,592,885)	(1,599,160)
Deferred donations	(14,680)	57,500
	<hr/> (1,696,608)	<hr/> (1,541,660)
Change in cash during the year	(173,405)	(320,883)
Cash - Beginning of year	<hr/> 6,077,945	<hr/> 6,398,828
Cash - End of year	<hr/> <hr/> 5,854,540	<hr/> <hr/> 6,077,945

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

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2015

1 Status and nature of activities

Lakeridge Health Foundation (the Foundation), formerly the Oshawa Hospital Foundation, is a registered charity under the Income Tax Act which raises and invests funds for the benefit of Lakeridge Health, specifically the Oshawa and Whitby sites, and other organizations 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 are met.

2 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 General Fund accounts for the non-restricted donations and the Foundation's general operations. The internally restricted amount within the General Fund used to guarantee Lakeridge Health's parking lot financing is described in note 6 to the financial statements. Other internally restricted amounts within the General Fund have been restricted by the Board of Directors to ensure the long-term viability of the Foundation. The Board has directed that internally restricted amounts related to the guarantee for the parking lot be moved to internally restricted as it is released from the guarantee.

The Restricted Fund accounts 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. Restricted contributions are recorded as revenue of the appropriate restricted fund or as high priority revenue if a restricted fund has not been established. 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 General Fund and Restricted Fund based on the ending fund balances.

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 period in which the event occurs, together with any associated costs.

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2015

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, 2015, Lakeridge Health made principal payments on its parking garage loan of \$955,799 (2014 - \$879,049) which decreased the loan guarantee. The Foundation accordingly reflected the decrease in the guarantee through the transfer of \$955,799 (2014 - \$879,049) between the internally restricted funds included in the Foundation's General Fund.

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2015

4 Investments

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

	2015 \$	2014 \$
Pooled funds		
Cash and equivalents	2,437,046	2,424,672
Fixed income	10,431,432	8,928,298
Equities	19,918,025	19,232,110
	<hr/> 32,786,503	<hr/> 30,585,080
Aggregate cost	<hr/> 32,759,624	<hr/> 31,166,739

Investment income earned on the Foundation's assets consists of the following:

	2015 \$	2014 \$
Interest and dividends	2,040,571	913,505
Realized gain on disposal of investments	209,014	3,777,668
	<hr/> 2,249,585	<hr/> 4,691,173

5 Capital assets

	<hr/> 2015		<hr/> 2014	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	296,800	-	296,800	296,800
Office improvements	588,989	275,327	313,662	298,308
Furniture and fixtures	104,434	87,335	17,099	3,220
	<hr/> 990,223	<hr/> 362,662	<hr/> 627,561	<hr/> 598,328

Amortization of depreciable assets is calculated at rates set out in note 2. Amortization expense for 2015 totalled \$59,810 (2014 - \$69,202).

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2015

6 Contingent liabilities

a) Parking garage

During 1996, the Foundation provided a guarantee to Lakeridge Health, to assist in the financing of a new parking garage. The amount of this guarantee is the lesser of \$10,000,000 and the principal amount outstanding under the Hospital's loan agreement covering the construction of the new parking garage. Accordingly, the maximum amount of this guarantee will decline over the 20-year term of the Hospital financing as the principal amount is reduced.

To support this guarantee, the Foundation must maintain available assets equal to the lesser of \$10,000,000 or the principal amount outstanding under the loan agreement.

As at March 31, 2015, the principal amount outstanding under the loan agreement amounted to \$1,877,797 (2014 - \$2,833,596).

b) Other

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 at March 31, 2015.

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 \$9,759,761 as at March 31, 2015 (2014 - \$7,653,827) are held in the Restricted Fund for Lakeridge Health.

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2015

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 \$1 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.

9 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.