

Financial statements of

The Oshawa Hospital Foundation

March 31, 2013 and December 31, 2011

The Oshawa Hospital Foundation

March 31, 2013 and December 31, 2011

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Independent Auditor's Report

To the Members of
Oshawa Hospital Foundation

We have audited the accompanying financial statements of Oshawa Hospital Foundation (the "Foundation"), which comprise the statements of financial position as at March 31, 2013, December 31, 2011 and January 1, 2011, the statements of operations, changes in fund balances and cash flows for the period ended March 31, 2013 and year ended December 31, 2011, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from the general public in the form of gifts and bequests and from special projects, 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 were not able to determine whether any adjustments might be necessary to gifts and bequests and signature events projects revenue, excess of revenue over expenses, assets and fund balances as at March 31, 2013, December 31, 2011 and January 1, 2011.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph the financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2013, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the period ended March 31, 2013 and year ended December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 26, 2013

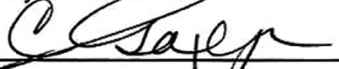
The Oshawa Hospital Foundation

Statements of financial position

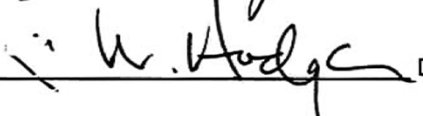
as at March 31, 2013, December 31, 2011 and January 1, 2011

	March 31, 2013	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)		
	General Fund	Restricted Fund	Total		
	\$	\$	\$		
Assets					
Funds on deposit	868,995	5,529,833	6,398,828	1,373,484	2,537,027
Accounts receivable	11,549	1,033	12,582	93,364	93,278
Recoverable expenses	-	2,728	2,728	2,808	2,808
Prepaid expenses	7,098	-	7,098	130,671	156,873
Due from Lakeridge Health	53,471	27,645	81,116	-	-
Due from General Fund	-	-	-	318,631	196,113
Due from Restricted Fund	92,874	-	92,874	-	-
	1,033,987	5,561,239	6,595,226	1,918,958	2,986,099
Investments (Note 6)	25,431,732	1,326,341	26,758,073	31,931,688	37,300,781
Capital assets (Note 7)	667,530	-	667,530	1,457,423	1,314,309
	27,133,249	6,887,580	34,020,829	35,308,069	41,601,189
Liabilities					
Accounts payable and accrued charges (Note 8)	391,100	-	391,100	776,755	988,056
Due to Lakeridge Health	-	-	-	273,469	2,127,151
Due to General Fund	-	92,874	92,874	-	-
Due to Restricted Fund	-	-	-	318,631	196,113
	391,100	92,874	483,974	1,368,855	3,311,320
Contingent liability (Note 9)					
Fund balances					
Externally restricted (Note 3, 10)	3,712,645	6,794,706	10,507,351	13,046,473	16,472,124
Internally restricted (Note 3)	18,287,355	-	18,287,355	17,287,122	16,558,978
Unrestricted	4,742,149	-	4,742,149	3,605,619	5,258,767
	26,742,149	6,794,706	33,536,855	33,939,214	38,289,869
	27,133,249	6,887,580	34,020,829	35,308,069	41,601,189

Approved by the Board



Director



Director

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

The Oshawa Hospital Foundation

Statements of operations

15 months ended March 31, 2013 and year ended December 31, 2011

	March 31, 2013 (15 months)			December 31, 2011 (12 months) (Note 2)		
	General Fund	Restricted Fund	Total	General Fund	Restricted Fund	Total
	\$	\$	\$	\$	\$	\$
Income						
Interest	39,305	99,593	138,898	461,254	67,815	529,069
Dividends	944,446	-	944,446	353,888	37,118	391,006
Net realized gain on disposal of investments	569,221	1,205	570,426	1,215,193	381,613	1,596,806
Donations received		-				
Cash	-	4,849,229	4,849,229	-	3,138,292	3,138,292
In kind	-	116,452	116,452	-	892	892
	1,552,972	5,066,479	6,619,451	2,030,335	3,625,730	5,656,065
Expenses						
Administrative	1,691,920	-	1,691,920	2,161,276	-	2,161,276
Fund-raising (Note 4)	43,819	654,349	698,168	78,453	686,314	764,767
Investment management fees	139,246	5,379	144,625	106,914	11,236	118,150
Audit	27,973	-	27,973	36,505	-	36,505
Custodial fees	-	10,933	10,933	-	9,343	9,343
Bank charges	1,750	2,691	4,441	-	14,007	14,007
	1,904,708	673,352	2,578,060	2,383,148	720,900	3,104,048
Net income (loss) from operations before under noted	(351,736)	4,393,127	4,041,391	(352,813)	2,904,830	2,552,017
Write-down of capital assets (Note 7)	420,648	253,249	673,897	-	-	-
Grants to Lakeridge Health Oshawa	33,700	5,382,341	5,416,041	-	5,550,740	5,550,740
Unrealized gain (loss) on investments	1,642,614	3,574	1,646,188	(1,351,932)	-	(1,351,932)
Net (loss) income	836,530	(1,238,889)	(402,359)	(1,704,745)	(2,645,910)	(4,350,655)

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

The Oshawa Hospital Foundation

Statements of changes in fund balances

15 months ended March 31, 2013 and year ended December 31, 2011

						March 31, 2013
General Fund						
	Restricted for Loan Guarantee	Internally restricted	Unrestricted	Total	Restricted Fund	Total
	\$	\$	\$		\$	\$
Balance, beginning of year	4,712,878	17,287,122	3,605,619	25,605,619	8,333,595	33,939,214
Net income (loss)	-	-	836,530	836,530	(1,238,889)	(402,359)
Interfund transfer (Note 5a)	-	-	300,000	300,000	(300,000)	-
Decrease in parking garage guarantee (Note 5b)	(1,000,233)	1,000,233	-	-	-	-
Balance, end of year	3,712,645	18,287,355	4,742,149	26,742,149	6,794,706	33,536,855

						December 31, 2011 (Note 2)
General Fund						
	Restricted for Loan Guarantee	Internally restricted	Unrestricted	Total	Restricted Fund	Total
	\$	\$	\$		\$	\$
Balance, beginning of year	5,441,022	16,558,978	5,258,767	27,258,767	11,031,102	38,289,869
Net income (loss) after grants and unrealized gains	-	-	(1,704,745)	(1,704,745)	(2,645,910)	(4,350,655)
Interfund transfer of net investment (Note 5a)	-	-	51,597	51,597	(51,597)	-
Decrease in parking garage guarantee (Note 5b)	(728,144)	728,144	-	-	-	-
Balance, end of year	4,712,878	17,287,122	3,605,619	25,605,619	8,333,595	33,939,214

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

The Oshawa Hospital Foundation

Statements of cash flows

15 months ended March 31, 2013 and year ended December 31, 2011

	2013	2011
	\$	\$
Operating activities		
Net loss	(402,359)	(4,350,655)
Item not affecting cash		
Unrealized (gain) loss recognized	(1,646,188)	1,351,932
Amortization	86,251	82,315
Write-down of capital assets	703,642	-
Change in non-cash working capital item		
Accounts receivable	80,782	(86)
Recoverable expenses	80	-
Prepaid expenses	123,573	26,202
Accounts payable and accrued liabilities	(385,655)	(211,301)
Due to Lakeridge Health Oshawa	(354,585)	(1,853,682)
	(1,794,459)	(4,955,275)
Capital activity		
Acquisition of capital assets	-	(225,429)
	-	(225,429)
Investing activity		
Net change in long-term investments	6,819,803	4,017,161
Change in cash during the year	5,025,344	(1,163,543)
Cash, beginning of year	1,373,484	2,537,027
Cash, end of year	6,398,828	1,373,484

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

The Oshawa Hospital Foundation

March 31, 2013 and December 31, 2011

Notes to the financial statements

1. Status and nature of activities

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

During the year the Board of Directors approved a change in year-end from December 31 to March 31.

2. Adoption of a new accounting framework

During the period ended March 31, 2013, the Foundation adopted the new accounting standards for not-for-profit organizations (the "new standards") issued by the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") and set out in Part III of the CICA Handbook. In accordance with Section 1501 of Part III of the CICA Handbook, First-time adoption, ("Section 1501"), the date of transition to the new standards is January 1, 2011 and the Foundation has prepared and presented an opening statement of financial position at the date of transition to the new standards. This opening statement of financial position is the starting point for the entity's accounting under the new standards. In its opening statement of financial position, under the recommendations of Section 1501, the Foundation:

- (a) recognized all assets and liabilities whose recognition is required by the new standards;
- (b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- (c) reclassified items that it recognized previously as one type of asset, liability or component of equity, but are recognized as a different type of asset, liability or component of equity under the new standards; and
- (d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively excluding cases where optional exemptions available under Section 1501 have been applied. The Foundation has elected to value investments at fair value.

The adoption of this framework had no impact on the statement of financial position previously reported as at January 1, 2011, nor on the statement of financial position previously reported as at December 31, 2011 and on the statement of operations and changes in fund balances for the year ended March 31, 2013.

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting standards, using the restricted fund method of reporting restricted contributions.

Fund accounting

The General Fund accounts for the Foundation's current operations. The externally restricted amount within the General Fund is outlined in Note 9 to the financial statements. Internally restricted amounts within the General Fund have been restricted by the Board of Directors. The Board has directed that externally restricted amounts related to the guarantee for the parking lot described in Note 9 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 10 to the financial statements.

The Oshawa Hospital Foundation

March 31, 2013 and December 31, 2011

Notes to the financial statements

3. Significant accounting policies (continued)

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 deferred revenue if a restricted fund has not been established. Other contributions, including gifts in kind, are recognized as revenue when received.

Financial instruments

The Foundation's financial assets are comprised of cash, investments, and accounts receivable. Financial liabilities are comprised of accounts payable and accrued liabilities.

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments which are carried at fair value. The Foundation has elected to use the fair value option to measure investments other than equity instruments that are required to be measured at fair value.

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
Tent	5 years

Work-in-progress consists of direct construction and development costs. No amortization is recorded until construction is substantially complete and the assets are brought into service.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and 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.

4. Fund-raising expenses

	2013 (15 months)			2011 (12 months)		
	General Fund	Restricted Fund	Total	General Fund	Restricted Fund	Total
	\$	\$	\$	\$	\$	\$
Salaries	38,848	278,741	317,589	74,482	335,507	409,989
Campaign support	3,535	318,897	322,432	3,135	92,351	95,486
Miscellaneous	1,436	56,711	58,147	836	258,456	259,292
	43,819	654,349	698,168	78,453	686,314	764,767

The Oshawa Hospital Foundation

March 31, 2013 and December 31, 2011

Notes to the financial statements

5. Interfund transfers

(a) Fundraising

The Board of Directors approved a transfer of \$300,000 (2011 - \$51,597) from the Restricted Fund to the General Fund to cover fundraising expenses incurred in the General Fund.

(b) Decrease in parking garage guarantee

(c) During the 15 month period ended March 31, 2013, Lakeridge Health made principal payments on its parking garage loan of \$1,000,233 (2011 - \$728,144) which decreased the loan guarantee. The Foundation accordingly reflected the decrease in the guarantee through the transfer of \$1,000,233 from externally restricted to internally restricted net assets in the General Fund.

6. Investments

(a) Details of investments at March 31, 2013 are as follows:

	Market value
	\$
General Fund	
Cash and equivalents	1,040,363
Fixed income	8,953,924
Equities	16,156,553
	<u>26,150,840</u>
Invested on behalf of Parkwood Foundation	(719,108)
	<u>25,431,732</u>
Restricted Fund	
Cash and equivalents	1,326,341

(b) Details of investments at December 31, 2011 are as follows:

	Market value
	\$
General Fund	
Cash and equivalents	1,774,426
Fixed income	11,586,285
Equities	12,254,421
	<u>25,615,132</u>
Invested on behalf of Parkwood Foundation	(599,816)
	<u>25,015,316</u>
Restricted Fund	
Cash and equivalents	6,916,372

The Oshawa Hospital Foundation

March 31, 2013 and December 31, 2011

Notes to the financial statements

6. Investments (continued)

(c) Details of investments at January 1, 2011 are as follows:

	Market value
	\$
General Fund	
Cash and equivalents	624,294
Fixed income	9,119,705
Equities	20,180,455
	<u>29,924,454</u>
Invested on behalf of Parkwood Foundation	(579,673)
Invested on behalf of Port Perry Hospital Foundation	(2,471,268)
	<u>26,873,513</u>
Restricted Fund	
Cash and equivalents	10,427,268

7. Capital assets

	March 31, 2013 (15 months)		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	296,800	-	296,800
Office improvements	519,145	168,722	350,423
Furniture and fixtures	85,435	65,128	20,307
	<u>901,380</u>	<u>233,850</u>	<u>667,530</u>

During the year, the Foundation determined that construction of the Cancer Lodge would not proceed. As a result previously capitalized costs related to the development of the Cancer Lodge of \$282,994, net of a recovery of \$29,745 of building permit costs recovered during the year, have been written off. Additionally the land held by the Foundation on which the Cancer Lodge was to be constructed has been written down to its estimated residual value of \$296,800.

The Oshawa Hospital Foundation

March 31, 2013 and December 31, 2011

Notes to the financial statements

7. Capital assets (continued)

	December 31, 2011 (12 Months)		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	717,448	-	717,448
Office improvements	519,145	103,830	415,315
Furniture and equipment	85,435	43,769	41,666
Work in progress	282,994	-	282,994
	<u>1,605,022</u>	<u>147,599</u>	<u>1,457,423</u>

Amortization of depreciable assets is calculated at rates set out in Note 2. Amortization expense for 2013 totaled \$86,251, and for 2011 totaled \$82,315.

	January 1, 2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	717,448	-	717,448
Office improvements	519,145	51,915	467,230
Furniture and equipment	85,414	26,667	58,747
Work in progress	57,565	-	57,565
Tent	66,589	53,270	13,319
	<u>1,446,161</u>	<u>131,852</u>	<u>1,314,309</u>

8. Accounts payable

Accounts payable and accrued charges for the General Fund include administrative and fund-raising expenses of nil (December 31, 2011 - \$381,432; January 1, 2011 - \$204,003) paid by Lakeridge Health Oshawa and reimbursed by the Foundation subsequent to year end. Additionally, accounts payable and accrued liabilities for the General Fund include government remittances payable of \$7,089 (December 31, 2011 - \$4,229, January 1, 2011 - \$8,010).

9. Contingent liability - parking garage

During 1996, the Foundation provided a guarantee to Lakeridge Health Oshawa, to assist in 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 twenty 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, 2013, the principal amount outstanding under the loan agreement amounted to \$3,712,645 (December 31, 2011 - \$4,712,878).

The Oshawa Hospital Foundation

March 31, 2013 and December 31, 2011

Notes to the financial statements

10. Commitments

The Foundation holds all funds received or to be received in the Restricted Fund for use by Lakeridge Health Oshawa in the redevelopment and expansion of existing and future buildings at the main hospital site and the R. S. McLaughlin Durham Regional Cancer Centre site. The Foundation will maintain the funds and will pay to Lakeridge Health Oshawa, from time to time, such amounts as is requested in writing for such purposes with appropriate supporting documentation.

The Foundation also holds all funds received for Lakeridge Health Oshawa to be used for medical equipment or other capital equipment, or both, at the main hospital site and the R. S. McLaughlin Durham Regional Cancer Centre site, provided that any such monies, property and pledges designated for a specific purpose, shall be paid to the Hospital for such purpose. The Foundation will maintain the funds and will pay Lakeridge Health Oshawa, from time to time, such amounts of as is requested in writing for such purposes with appropriate supporting documentation.

Designated donations and grants of \$7,350,627 as at March 31, 2013 and \$6,254,638 as at December 31, 2011, are held in the Restricted Fund for Lakeridge Health Oshawa. The Foundation will pay to Lakeridge Health Oshawa, from time to time, such amounts of the funds as is requested in writing for the designated purposes with appropriate supporting documentation.

11. Risk management

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

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 short-term interest bearing investments held by the Foundation have a limited exposure to interest rate risk due to their short-term maturity. The Foundation has formal policies and procedures that establish target asset mix, minimum credit ratings and varying terms of the securities held.

Credit risk

The Foundation's principal financial assets are cash, short-term investments, accounts receivable and long term investments, which are subject to credit risk. The carrying amounts of financial assets on the balance sheet represent the Foundation's maximum credit exposure at the balance sheet date.

The Foundation's credit risk is primarily attributable to its long term investments. The credit risk is limited because the counterparties are entities with high credit-ratings assigned by national credit-rating agencies.

Market risk

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Foundation to a risk of loss. The Foundation mitigates this risk through controls to monitor and limit concentration levels.

12. Related party transactions

The Foundation has utilized office space in Lakeridge Health Oshawa since June 2010. Lakeridge Health does not charge the Foundation a fee for the use of this space.

13. Subsequent event

The Boards of The Oshawa Hospital Foundation and Lakeridge Health Whitby Foundation agreed to join together to create a single fundraising organization to be known as Lakeridge Health Foundation effective April 1, 2013.