

Financial statements of

Lakeridge Health Foundation

March 31, 2014

Lakeridge Health Foundation

March 31, 2014

Table of contents

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of operations	4
Statement of changes in fund balances	5
Statement of cash flows	6
Notes to the financial statements	7-10



Deloitte LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of
Lakeridge Health Foundation

We have audited the accompanying financial statements of Lakeridge Health Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2014, the statement of operations, 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 Foundation as at March 31, 2014, 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.

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
September 24, 2014

Lakeridge Health Foundation

Statement of financial position as at March 31, 2014

			2014	2013
	General Fund	Restricted Fund	Total	Total
	\$	\$	\$	\$
Assets				
Funds on deposit	6,077,945	-	6,077,945	6,398,828
Accounts receivable	5,967	-	5,967	12,582
Recoverable expenses	-	-	-	2,728
Prepaid expenses	13,909	-	13,909	7,098
Due from Lakeridge Health	-	-	-	81,116
Due from General Fund	-	6,324,043	6,324,043	92,874
	6,097,821	6,324,043	12,421,864	6,595,226
Investments (Note 4)	29,255,296	1,329,784	30,585,080	26,758,073
Capital assets (Note 5)	598,328	-	598,328	667,530
	35,951,445	7,653,827	43,605,272	34,020,829
Liabilities				
Accounts payable and accrued charges (Note 6)	277,475	-	277,475	391,100
Due to Lakeridge Health	358,379	-	358,379	-
Due to Restricted Fund	6,324,043	-	6,324,043	92,874
Deferred Donations	57,500	-	57,500	-
	7,017,397	-	7,017,397	483,974
Fund balances				
Externally restricted (Notes 2 and 8)	2,833,596	7,653,827	10,487,423	10,507,351
Internally restricted (Notes 2 and 7)	19,166,404	-	19,166,404	18,287,355
Unrestricted	6,934,048	-	6,934,048	4,742,149
	28,934,048	7,653,827	36,587,875	33,536,855
	35,951,445	7,653,827	43,605,272	34,020,829

Approved by the Board

 Director

 Director

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

Lakeridge Health Foundation

Statement of operations year ended March 31, 2014

			2014 (12 months)	2013 (15 months) (Note 12)
	General Fund	Restricted Fund	Total	Total
	\$	\$	\$	\$
Income				
Donations received				
Cash	389,190	2,354,602	2,743,792	4,849,229
In kind	3,000	-	3,000	116,452
Interest	377,326	84,517	461,843	523,115
Dividends	369,008	82,654	451,662	560,229
Net realized gain on disposal of investments	3,086,355	691,313	3,777,668	570,426
	4,224,879	3,213,086	7,437,965	6,619,451
Expenses				
Administrative	757,679	-	757,679	1,213,576
Fund-raising	563,638	178,226	741,864	1,176,512
Investment management fees	90,895	20,359	111,254	144,625
Audit	13,954	-	13,954	27,973
Custodial fees	8,448	1,892	10,340	10,933
Bank charges	4,611	-	4,611	4,441
	1,439,225	200,477	1,639,702	2,578,060
Excess of income over expenses before under noted	2,785,654	3,012,609	5,798,263	4,041,391
Write-down of capital assets	-	-	-	673,897
Grants to Lakeridge Health	12,096	2,153,488	2,165,584	5,416,041
Unrealized (loss) gain on investments	(581,659)	-	(581,659)	1,646,188
Excess (deficiency) of income over expenses	2,191,899	859,121	3,051,020	(402,359)

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

Lakeridge Health Foundation

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

	2014				2013	
	Restricted for Loan Guarantee	Internally restricted	Unrestricted	General Fund Total	Restricted Fund	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	3,712,645	18,287,355	4,742,149	26,742,149	6,794,706	33,536,855
Excess (deficiency) of income over expenses	-	-	2,191,899	2,191,899	859,121	3,051,020
Decrease in parking garage guarantee (Note 3b)	(879,049)	879,049	-	-	-	-
Balance, end of year	2,833,596	19,166,404	6,934,048	28,934,048	7,653,827	36,587,875
						33,536,855

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

Lakeridge Health Foundation

Statement of cash flows year ended March 31, 2014

	2014 (12 months) \$	2013 (15 months) \$
Operating activities		
Excess (deficiency) of income over expenses	3,051,020	(402,359)
Item not affecting cash		
Unrealized loss (gain) on investments	581,659	(1,646,188)
Amortization	69,202	86,251
Write-down of capital assets	-	703,642
Change in non-cash working capital		
Accounts receivable	6,615	80,782
Recoverable expenses	2,728	80
Prepaid expenses	(6,811)	123,573
Accounts payable and accrued liabilities	(113,625)	(385,655)
Due to/from Lakeridge Health	439,495	(354,585)
	4,030,283	(1,794,459)
Investing activity		
Net change in long-term investments	(4,408,666)	6,819,803
Deferred donations	57,500	-
Change in cash during the year	(320,883)	5,025,344
Cash, beginning of year	6,398,828	1,373,484
Cash, end of year	6,077,945	6,398,828

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

Lakeridge Health Foundation

March 31, 2014

Notes to the financial statements

1. Status and nature of activities

Lakeridge Health 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, using the restricted fund method of reporting restricted contributions.

Fund accounting

The General Fund accounts for the non-restricted donations and the Foundation's general operations. The externally restricted amount within the General Fund is outlined in Note 7 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 7 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 8 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.

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

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets 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.

Lakeridge Health Foundation

March 31, 2014

Notes to the financial statements

3. Interfund transfers

(a) Fundraising

The Board of Directors approved a transfer of \$Nil (2013 - \$300,000) from the Restricted Fund to the General Fund to cover fundraising expenses incurred in the General Fund.

- (b) During the year ended March 31, 2014, Lakeridge Health made principal payments on its parking garage loan of \$879,049 (15 month period ended March 31, 2013 - \$1,000,233) which decreased the loan guarantee. The Foundation accordingly reflected the decrease in the guarantee through the transfer of \$879,049 (2013 - \$1,000,233) from externally restricted to internally restricted net assets in the General Fund.

4. Investments

Details of investments at March 31, 2014 are as follows:

	2014	2013
	Net book value	Net book value
	\$	\$
General Fund		
Cash and equivalents	1,094,888	1,040,363
Fixed income	8,928,298	8,953,924
Equities	19,232,110	16,156,553
	29,255,296	26,150,840
Invested on behalf of Parkwood Foundation (Note 10)	-	(719,108)
	29,255,296	25,431,732
Restricted Fund		
Cash and equivalents	13,297,984	1,326,341

5. Capital assets

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	296,800	-	296,800	296,800
Office improvements	519,145	220,837	298,308	350,423
Furniture and fixtures	85,435	82,215	3,220	20,307
	901,380	303,052	598,328	667,530

Amortization of depreciable assets is calculated at rates set out in Note 2. Amortization expense for 2014 totaled \$69,202 (2013 - \$86,251).

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities for the General Fund include government remittances payable of \$Nil (2013 - \$7,089).

Lakeridge Health Foundation

March 31, 2014

Notes to the financial statements

7. Contingent liabilities

(a) Parking garage

During 1996, the Foundation provided a guarantee to Lakeridge Health, 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, 2014, the principal amount outstanding under the loan agreement amounted to \$2,833,596 (2013 - \$3,712,645).

(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 is not determinable as at March 31, 2014.

8. 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 is 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 of as is requested in writing for such purposes with appropriate supporting documentation.

Designated donations and grants of \$7,653,827 as at March 31, 2014 (2013 - \$6,794,706) are held in the Restricted Fund for Lakeridge Health. The Foundation will pay to Lakeridge Health, from time to time, such amounts of the funds as is requested in writing for the designated purposes with appropriate supporting documentation.

9. 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.

Lakeridge Health Foundation

March 31, 2014

Notes to the financial statements

9. Risk management (continued)

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.

10. Investments on behalf of Parkwood Foundation

During the 2014 fiscal year it was agreed that Parkwood Foundation would assume full responsibility for and control of its investments and that those investments would no longer be invested by the Foundation on their behalf. The values of those investments were transferred to the Parkwood Foundation and will no longer be reflected on the Foundation's statements.

11. 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.

12. Comparative figures

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