

Lakeridge Health Foundation

Financial Statements
March 31, 2017



June 29, 2017

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, 2017 and the statement 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, ON, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lakeridge Health Foundation as at March 31, 2017 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, 2017

(in thousands of dollars)

			2017	2016
	Unrestricted Fund	Restricted Fund	Total	Total
	\$	\$	\$	\$
Assets				
Current assets				
Cash	5,242	-	5,242	3,790
Accounts receivable	195	-	195	563
Prepaid expenses	10	-	10	13
Due from Unrestricted Fund	-	13,716	13,716	10,965
	5,447	13,716	19,163	15,331
Investments (note 4)	34,948	1,331	36,279	32,087
Capital assets (note 5)	4,503	-	4,503	4,417
	44,898	15,047	59,945	51,835
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 6)	278	-	278	258
Due to Lakeridge Health	16	-	16	929
Due to Restricted Fund	13,716	-	13,716	10,965
Deferred donations	53	6	59	65
	14,063	6	14,069	12,217
Fund balances				
Externally restricted (notes 2 and 8)	-	15,041	15,041	12,296
Internally restricted (notes 2 and 7)	22,000	-	22,000	22,000
Unrestricted	8,835	-	8,835	5,322
	30,835	15,041	45,876	39,618
	44,898	15,047	59,945	51,835

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, 2017

(in thousands of dollars)

			2017	2016
	Unrestricted Fund \$	Restricted Fund \$	Total \$	Total \$
Income				
Donations received				
Cash	893	4,295	5,188	3,463
In-kind	6	6	12	843
Change in fair value of investments	4,240	9	4,249	(628)
Rental income	256	-	256	74
	5,395	4,310	9,705	3,752
Expenses				
Administrative	958	-	958	945
Fundraising	798	51	849	775
Investment	126	-	126	117
	1,882	51	1,933	1,837
Excess of income over expenses before undernoted	3,513	4,259	7,772	1,915
Grants to Lakeridge Health	-	(1,514)	(1,514)	(1,028)
Excess of income over expenses for the year	3,513	2,745	6,258	887

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, 2017

(in thousands of dollars)

					2017	2016
	Internally restricted for loan guarantee \$	Internally restricted \$	Unrestricted \$	Total \$	Restricted Fund \$	Total \$
Balance - Beginning of year	839	21,161	5,322	27,322	12,296	39,618
Excess of income over expenses for the year	-	-	3,513	3,513	2,745	6,258
Decrease in parking garage guarantee (note 3)	(839)	839	-	-	-	-
Balance - End of year	-	22,000	8,835	30,835	15,041	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, 2017

(in thousands of dollars)

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess of income over expenses for the year	6,258	887
Items not affecting cash		
Change in fair value of investments	4,246	3,396
Amortization	64	62
In-kind donations of land received	-	(800)
Changes in non-cash working capital		
Accounts receivable	368	(532)
Prepaid expenses	3	(7)
Accounts payable and accrued liabilities	20	(183)
Due to/from Lakeridge Health	(913)	838
Deferred donations	(6)	22
	<hr/> 10,040	<hr/> 3,683
Investing activities		
Acquisition of capital assets	(150)	(3,051)
Purchase of investments - net of proceeds	(8,438)	(2,697)
	<hr/> (8,588)	<hr/> (5,748)
Change in cash during the year	1,452	(2,065)
Cash - Beginning of year	<hr/> 3,790	<hr/> 5,855
Cash - End of year	<hr/> <hr/> 5,242	<hr/> <hr/> 3,790

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

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

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 (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 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 used to guarantee Lakeridge Health's parking lot financing is described in note 6 to the financial statements. 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 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 Unrestricted 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 year in which the event occurs, together with any associated costs.

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

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, 2017, Lakeridge Health made principal payments on its parking garage loan of \$839 (2016 - \$1,039) through the transfer of \$839 (2016 - \$1,039) between the internally restricted funds included in the Foundation's Unrestricted Fund.

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2017

(in thousands of dollars)

4 Investments

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

	2017 \$	2016 \$
Pooled funds		
Cash and equivalents	1,963	1,867
Fixed income	11,275	9,974
Equities	23,041	20,246
	<hr/> 36,279	<hr/> 32,087
Aggregate cost	<hr/> 40,525	<hr/> 35,483

5 Capital assets

	<hr/> 2017		<hr/> 2016	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	4,292	-	4,292	4,142
Office improvements	594	393	201	261
Furniture and fixtures	105	95	10	14
	<hr/> 4,991	<hr/> 488	<hr/> 4,503	<hr/> 4,417

Amortization of depreciable assets is calculated at rates set out in note 2. Amortization expense for 2017 totalled \$64 (2016 - \$62).

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, 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.

Lakeridge Health Foundation

Notes to Financial Statements

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(in thousands of dollars)

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 million 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 million or the principal amount outstanding under the loan agreement.

As at March 31, 2017, the loan was fully repaid and the principal amount outstanding under the loan agreement amounted to \$nil (2016 - \$839).

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 as at March 31, 2017.

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 \$15,041 as at March 31, 2017 (2016 - \$12,296) are held in the Restricted Fund for Lakeridge Health.

At March 31, 2017, the Foundation has a Letter of Credit in the amount of \$18.

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.

Lakeridge Health Foundation

Notes to Financial Statements

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(in thousands of dollars)

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

9 Comparative figures

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