

Financial statements of

**The Scarborough  
Hospital Foundation**

March 31, 2016

# The Scarborough Hospital Foundation

March 31, 2016

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## **Independent Auditor's Report**

To the Board of Directors and the Members of  
The Scarborough Hospital Foundation

We have audited the accompanying financial statements of The Scarborough Hospital Foundation, which comprise the statement of financial position as at March 31, 2016 and the statements of revenue and expenses, 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 Scarborough Hospital Foundation as at March 31, 2016, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
June 20, 2016

# The Scarborough Hospital Foundation

Statement of revenue and expenses  
year ended March 31, 2016

	2016			2015		
	General fund	Restricted fund	Total funds	General fund	Restricted fund	Total funds
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Fundraising						
Annual programs	761,012	95,778	856,790	704,929	104,376	809,305
Community development	275,490	913,389	1,188,879	239,176	1,430,779	1,669,955
Gift planning	251,266	1,634,458	1,885,724	830,161	1,212,513	2,042,674
Total fundraising	1,287,768	2,643,625	3,931,393	1,774,266	2,747,668	4,521,934
Parking operations (Note 6)	5,374,643	-	5,374,643	5,264,133	-	5,264,133
Investment income, net (Note 8)	5,033	-	5,033	331,947	-	331,947
	6,667,444	2,643,625	9,311,069	7,370,346	2,747,668	10,118,014
<b>Expenses</b>						
Fundraising programs	686,985	751,848	1,438,833	596,005	741,668	1,337,673
Parking operations (Note 6)	994,585	-	994,585	1,114,383	-	1,114,383
Salaries and benefits	1,335,588	107,296	1,442,884	1,274,468	50,589	1,325,057
Administration (Note 7)	307,309	-	307,309	406,084	-	406,084
	3,324,467	859,144	4,183,611	3,390,940	792,257	4,183,197
Excess of revenue over expenses before grants	3,342,977	1,784,481	5,127,458	3,979,406	1,955,411	5,934,817
Grants to The Scarborough Hospital	(4,368,573)	(957,362)	(5,325,935)	(4,318,922)	(1,232,448)	(5,551,370)
<b>(Deficiency) excess of revenue over expenses</b>	<b>(1,025,596)</b>	<b>827,119</b>	<b>(198,477)</b>	<b>(339,516)</b>	<b>722,963</b>	<b>383,447</b>

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

# The Scarborough Hospital Foundation

Statement of changes in fund balances  
year ended March 31, 2016

	2016			2015		
	General fund	Restricted fund	Total funds	General fund	Restricted fund	Total funds
	\$	\$	\$	\$	\$	\$
<b>Fund balances, beginning of year</b>	1,842,048	4,088,959	5,931,007	2,022,669	3,524,891	5,547,560
(Deficiency) excess of revenue over expenses	(1,025,596)	827,119	(198,477)	(339,516)	722,963	383,447
Interfund transfers (Note 9)	189,584	(189,584)	-	158,895	(158,895)	-
<b>Fund balances, end of year</b>	<b>1,006,036</b>	<b>4,726,494</b>	<b>5,732,530</b>	<b>1,842,048</b>	<b>4,088,959</b>	<b>5,931,007</b>



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

# The Scarborough Hospital Foundation

Statement of financial position  
as at March 31, 2016

	2016			2015		
	General fund	Restricted fund	Total funds	General fund	Restricted fund	Total funds
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Current assets						
Cash	210,170	1,350,618	1,560,788	131,192	534,259	665,451
Accounts receivable (Note 6)	727,074	-	727,074	907,222	-	907,222
Prepaid expenses	13,683	-	13,683	10,584	7,099	17,683
Investments (Note 4)	950,927	1,350,618	2,301,545	1,048,998	541,358	1,590,356
Charitable Remainder Trust receivable (Note 5)	-	3,398,006	3,398,006	978,954	3,564,601	4,543,555
Capital assets (Note 3)	872,396	-	872,396	855,542	-	855,542
	53,603	-	53,603	41,509	-	41,509
	<b>1,876,926</b>	<b>4,748,624</b>	<b>6,625,550</b>	<b>2,925,003</b>	<b>4,105,959</b>	<b>7,030,962</b>
<b>Liabilities</b>						
Current liabilities						
Due to The Scarborough Hospital (Note 6)	807,561	-	807,561	1,032,963	-	1,032,963
Accounts payable and accrued liabilities	63,329	-	63,329	49,992	-	49,992
Deferred revenue	-	22,130	22,130	-	17,000	17,000
	<b>870,890</b>	<b>22,130</b>	<b>893,020</b>	<b>1,082,955</b>	<b>17,000</b>	<b>1,099,955</b>
<b>Fund balances</b>						
General Fund						
Unrestricted	952,433	-	952,433	1,800,539	-	1,800,539
Invested in capital assets	53,603	-	53,603	41,509	-	41,509
	<b>1,006,036</b>	<b>-</b>	<b>1,006,036</b>	<b>1,842,048</b>	<b>-</b>	<b>1,842,048</b>
Restricted Fund						
	-	4,726,494	4,726,494	-	4,088,959	4,088,959
	<b>1,006,036</b>	<b>4,726,494</b>	<b>5,732,530</b>	<b>1,842,048</b>	<b>4,088,959</b>	<b>5,931,007</b>
	<b>1,876,926</b>	<b>4,748,624</b>	<b>6,625,550</b>	<b>2,925,003</b>	<b>4,105,959</b>	<b>7,030,962</b>

On behalf of the Board

 Director  
 Director

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

# The Scarborough Hospital Foundation

## Statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
<b>Operating activities</b>		
(Deficiency) excess of revenue over expenses	(198,477)	383,447
Add items not affecting cash		
Amortization of capital assets	21,492	22,884
Loss on disposal of investments	248	2,932
Interest on Charitable Remainder Trust	(16,854)	(16,529)
Change in unrealized gains on investments	104,489	(198,200)
	(89,102)	194,534
Changes in non-cash working capital items		
Prepaid expenses	4,000	90,051
Accounts receivable	180,148	683,188
Due to The Scarborough Hospital	(225,402)	(419,241)
Accounts payable and accrued liabilities	13,337	(338,084)
Deferred revenue	5,130	(414,153)
	(111,889)	(203,705)
<b>Investing activities</b>		
Purchase of capital assets	(33,586)	(8,034)
Net sale (purchase) of investments	1,040,812	(3,008)
	1,007,226	(11,042)
Net increase (decrease) in cash	895,337	(214,747)
Cash, beginning of year	665,451	880,198
<b>Cash, end of year</b>	<b>1,560,788</b>	<b>665,451</b>

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



# The Scarborough Hospital Foundation

## Notes to the financial statements

March 31, 2016

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### 1. Description of the organization

The Scarborough Hospital Foundation (the "Foundation") was incorporated under the Corporations Act of Ontario on December 21, 1977.

While it is a separate legal entity from The Scarborough Hospital (the "Hospital"), the Foundation was established to raise additional financial resources for the Hospital and to enhance the profile of the Hospital in the community. These objectives are accomplished through a number of fundraising initiatives planned, implemented, and managed by the Foundation.

The Foundation is a public foundation registered under the Income Tax Act (the "Act") and, as such, is not subject to income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

### 2. Significant accounting policies

The accompanying financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations ("ASNPOs"). The significant accounting policies are summarized below:

#### *Revenue recognition*

Income from donations is recorded when received. Donor restricted contributions are recognized as revenue of the Restricted Fund. Unrestricted contributions are recognized as revenue of the General Fund. Funds received in advance relating to future Foundation events for which no restricted fund exists are accounted for as deferred revenue until the period in which the related events take place.

Unrestricted investment income earned on Restricted Fund and General Fund resources is recognized as revenue of the General Fund.

Unrealized gains and losses incurred on the investments are recognized in the Statement of revenue and expenses as part of investment income.

Other contributions, including gifts in kind, contributions, and bequests are recognized as revenue when received. Charitable trust remainders are recognized as revenue when the amount to be received can be reasonably estimated, and collection is ultimately assured.

#### *Volunteers' contributed services*

Volunteers contribute time to assist the Foundation in carrying out its activities. Due to the difficulty in determining their fair value, volunteers' contributed services are not recognized in the financial statements.

#### *Capital assets*

Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	5 years
Leasehold improvements	5 years
Donor wall	5 years
Computer software and hardware	2 years

# The Scarborough Hospital Foundation

Notes to the financial statements

March 31, 2016

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## 2. Significant accounting policies (continued)

### *Fund accounting*

The financial statements have been prepared using fund accounting and they separately disclose the activities of the following funds maintained by the Foundation:

- General Fund - reflecting the activities associated with the Foundation's day-to-day operations. The General Fund reports unrestricted resources available for immediate purposes.
- Restricted Fund - includes those funds where resources are to be used for identified purposes as specified by the donor, as stipulated by the fundraising appeal, or as determined by the Board of Directors.

### *Financial instruments*

The Foundation initially measures its financial assets and financial liabilities at fair value. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market and fixed income, which are measured at fair value. Changes in fair value are recognized in the Statement of revenue and expenses.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include Due to the Scarborough Hospital and accounts payable.

The Foundation's financial assets measured at fair value include equity and fixed income investments.

## 3. Capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and fixtures	53,145	38,792	14,353	23,003
Leasehold improvements	13,710	10,173	3,537	6,279
Donor wall	206,229	170,516	35,713	8,209
Computer software and hardware	91,779	91,779	-	4,018
	<b>364,863</b>	<b>311,260</b>	<b>53,603</b>	<b>41,509</b>

# The Scarborough Hospital Foundation

Notes to the financial statements

March 31, 2016

## 4. Investments

The cost and fair value of the Foundation's investments at March 31 are as follows:

	2016		
	Cost	Fair value	Effective yield
	\$	\$	%
Fixed income	1,077,049	1,097,525	3.72%
Loan to The Scarborough Hospital (Note 6)	1,500,000	1,500,000	2.24%
Equity	643,563	800,481	1.32%
	<b>3,220,612</b>	<b>3,398,006</b>	

	2015		
	Cost	Fair value	Effective yield
	\$	\$	%
Fixed income	1,602,258	1,693,059	3.75
Loan to The Scarborough Hospital (Note 6)	1,500,000	1,500,000	2.46
Equity	967,060	1,350,496	1.16
	<b>4,069,318</b>	<b>4,543,555</b>	

## 5. Charitable Remainder Trust receivable

In fiscal 2013, the Foundation entered into a trust agreement which the Foundation has classified as a Charitable Remainder Trust receivable. Capital of \$1,000,000 has been transferred into the trust with the accrued interest to be paid to the grantors and the residual capital to be paid to the Foundation at the date of death of the grantors. The receivable has been measured based on a discounted cash flow analysis, using a risk free 10 year discount rate based on estimated remaining lives of the grantors.

## 6. Related party transactions

The Foundation and the Hospital are separate legal entities. The Foundation provides financial support to the Hospital to meet its goals and objectives.

The Hospital pays certain expenses on behalf of the Foundation and is reimbursed by the Foundation. The amount due to the Hospital is due on demand and is non-interest bearing. All other related party transactions are disclosed in these financial statements.

The Foundation leases the parking operation from the Hospital. The Hospital charges a fee to the Foundation for managing the operation. There is a parking revenue receivable from the Hospital included in accounts receivable in the amount of \$702,604 (2015 - \$687,015). There are also accrued grants related to parking revenue included in due to the Hospital in the amount of \$597,006 (2015 - \$748,120).

The Foundation is committed to provide the Hospital with a minimum contribution of \$1,500,000 per year, during the 10 year period commencing in fiscal 2008.

In May of 2010, the Foundation provided a loan to the Hospital at a rate of prime less ½%. The loan was recorded at exchange value and interest is paid monthly. The loan is unsecured and is repayable within 10 business days of demand. Under this agreement the Hospital has committed to maintaining available commercial borrowing capacity with its financial institution to enable the full repayment of its loan from the Foundation at all times.

# The Scarborough Hospital Foundation

## Notes to the financial statements

March 31, 2016

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### 6. Related party transactions (continued)

The Foundation's investments are managed by Toron Investment Management, which is controlled by a member of the Foundation's Board of Directors. All transactions incurred are in the normal course of operations.

### 7. Administration expenses

Administration expenses include the following:

	2016	2015
	\$	\$
Amortization	21,492	22,884
General and office	167,759	216,428
Occupancy	90,231	81,535
Professional and consulting	13,783	61,213
Other	14,044	24,024
	<b>307,309</b>	<b>406,084</b>

### 8. Investment income, net

Investment income, net, consists of the following:

	2016	2015
	\$	\$
Realized gain	123,891	148,978
Unrealized (loss) gain	(104,489)	198,200
Less: Management fees	(14,369)	(15,231)
	<b>5,033</b>	<b>331,947</b>

### 9. Interfund transfers

A total of \$189,584 (2015 - \$158,895) was transferred to the General fund from the Restricted fund as an allocation of restricted funds raised in accordance with the Foundation's policy.

### 10. Guarantees

In the normal course of business, the Foundation enters into agreements that meet the definition of a guarantee. The Foundation's primary guarantees are as follows:

- (i) The Foundation has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements, the Foundation agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement.
- (ii) Indemnity has been provided to all directors and officers of the Foundation for various items including, but not limited to, all costs to settle suits or actions due to association with the Foundation, subject to certain restrictions. The Foundation has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnification party served as a director or officer of the Foundation.

# The Scarborough Hospital Foundation

## Notes to the financial statements

March 31, 2016

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### 10. Guarantees (continued)

- (iii) In the normal course of business, the Foundation has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Foundation to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction.

The nature of these indemnification agreements prevents the Foundation from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Foundation has not made any payments under such or similar indemnification agreements and, therefore, no amount has been accrued in the statement of financial position with respect to these agreements.

### 11. Letter of credit

The Foundation has two letters of credit with respect to Charitable gaming activities. As of March 31, 2016, the available letters of credit \$24,000 (2015 - \$24,000) and \$162,500 (2015 - \$162,500). As of March 31, 2016 and March 31, 2015, no amounts have been applied against these letters of credit.

### 12. Financial instruments

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

#### *Market risk*

Market risk arises from the possibility that changes in equity prices will affect the value of investments held by the Foundation. The Foundation endeavors to mitigate this risk by adopting an investment policy which provides appropriate portfolio diversification.

#### *Credit risk*

The Foundation's principal financial asset that is subject to credit risk is accounts receivable. The carrying amounts of financial assets on the balance sheet represents the Foundation's maximum credit exposure at the financial statement date. The amounts disclosed in the statement of financial position are net of allowance for doubtful accounts.

#### *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 interest bearing investments held by the Foundation have a limited exposure to interest rate risk due to their short-term maturity. The fixed-income investments held in the Foundation's portfolio, has fixed interest and is subject to interest rate risk.

### 13. Integration of The Scarborough Hospital

On April 26, 2016, the Minister of Health and Long-Term Care, supported the implementation of all recommendations from the final report of the Scarborough/West Durham Expert Panel related to hospital governance, service delivery and planning to give patients better access to care in the community.

The Expert Panel recommended the creation of an integrated hospital system under one corporation and one Board of Directors to oversee the three Scarborough hospital sites; specifically the General and Birchmount sites of The Scarborough Hospital and the Centenary site of Rouge Valley Health System, and the development of a single master plan.

# **The Scarborough Hospital Foundation**

Notes to the financial statements

March 31, 2016

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## **13. Integration of The Scarborough Hospital (continued)**

To oversee the integration efforts, the Minister appointed a special advisor to the Minister to work with the three hospitals affected by the announcement; The Scarborough Hospital, Rouge Valley Health System, and Lakeridge Health for a period that will not exceed one year and ending no later than June 30, 2017.

The Scarborough Hospital Foundation will review its governance and fundraising structure to ensure our ability to provide necessary funding to meet the health care needs of our Global community for any newly defined Scarborough Hospital new corporation.