

Financial statements of

**Scarborough and Rouge
Hospital Foundation**

March 31, 2018

Scarborough and Rouge Hospital Foundation

March 31, 2018

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Scarborough and Rouge Hospital Foundation, which comprise the statement of financial position as at March 31, 2018 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 Scarborough and Rouge Hospital Foundation as at March 31, 2018 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.



Chartered Professional Accountants
Licensed Public Accountants
June 26, 2018

Scarborough and Rouge Hospital Foundation

Statement of revenue and expenses
year ended March 31, 2018

	2018				2017			
	General fund	Restricted fund	Endowment fund	Total funds	General fund	Restricted fund	Endowment fund	Total funds
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Fundraising								
Annual programs	797,366	276,396	1,500	1,075,262	791,382	153,352	-	944,734
Community development	180,117	883,226	-	1,063,343	168,813	780,805	-	949,618
Gift planning (Note 14)	368,133	3,294,207	-	3,662,340	576,557	2,750,507	1,043,740	4,370,804
Total fundraising	1,345,616	4,453,829	1,500	5,800,945	1,536,752	3,684,664	1,043,740	6,265,156
Parking operations (Note 7)	5,369,819	-	-	5,369,819	5,410,601	-	-	5,410,601
Investment income, net (Note 9)	149,063	29,040	-	178,103	217,451	9,568	-	227,019
	6,864,498	4,482,869	1,500	11,348,867	7,164,804	3,694,232	1,043,740	11,902,776
Expenses								
Fundraising programs	591,918	712,656	-	1,304,574	502,252	813,837	-	1,316,089
Parking operations (Note 7)	993,233	-	-	993,233	1,115,986	-	-	1,115,986
Salaries and benefits	545,345	1,425,109	-	1,970,454	833,780	821,052	-	1,654,832
Administration (Note 8)	353,384	51,039	-	404,423	357,439	56,482	-	413,921
	2,483,880	2,188,804	-	4,672,684	2,809,457	1,691,371	-	4,500,828
Excess of revenue over expenses before grants	4,380,618	2,294,065	1,500	6,676,183	4,355,347	2,002,861	1,043,740	7,401,948
Grants to Scarborough and Rouge Hospital	4,376,586	2,260,391	-	6,636,977	4,306,094	1,925,269	-	6,231,363
Excess of revenue over expenses	4,032	33,674	1,500	39,206	49,253	77,592	1,043,740	1,170,585

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

Scarborough and Rouge Hospital Foundation

Statement of changes in fund balances
year ended March 31, 2018

	2018				2017			
	General fund	Restricted fund	Endowment fund	Total funds	General fund	Restricted fund	Endowment fund	Total funds
	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	1,175,799	4,683,576	1,043,740	6,903,115	1,006,036	4,726,494	-	5,732,530
Excess of revenue over expenses	4,032	33,674	1,500	39,206	49,253	77,592	1,043,740	1,170,585
Fund balances assumed on amalgamation (Note 14)	9,123	(88,826)	-	(79,703)	-	-	-	-
Interfund transfers (Note 10)	306,220	(360,980)	54,760	-	120,510	(120,510)	-	-
Fund balances, end of year	1,495,174	4,267,444	1,100,000	6,862,618	1,175,799	4,683,576	1,043,740	6,903,115

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

Scarborough and Rouge Hospital Foundation

Statement of financial position

as at March 31, 2018

	2018				2017			
	General fund	Restricted fund	Endowment fund	Total funds	General fund	Restricted fund	Endowment fund	Total funds
	\$	\$	\$	\$	\$	\$	\$	\$
Assets								
Current assets								
Cash	454,556	356,208	-	810,764	74,299	1,131,088	-	1,205,387
Accounts receivable (Note 7)	697,001	-	-	697,001	740,827	-	-	740,827
Prepaid expenses	14,848	-	-	14,848	11,008	-	-	11,008
	1,166,405	356,208	-	1,522,613	826,134	1,131,088	-	1,957,222
Investments (Note 4)	285,437	3,940,493	1,100,000	5,325,930	364,844	3,601,514	1,043,740	5,010,098
Charitable Remainder Trust receivable (Note 5)	1,002,011	-	-	1,002,011	1,025,522	-	-	1,025,522
Capital assets (Note 3)	83,531	-	-	83,531	34,510	-	-	34,510
	2,537,384	4,296,701	1,100,000	7,934,085	2,251,010	4,732,602	1,043,740	8,027,352
Liabilities								
Current liabilities								
Due to Scarborough and Rouge Hospital (Note 7)	688,497	-	-	688,497	686,257	-	-	686,257
Accounts payable and accrued liabilities	353,713	-	-	353,713	388,954	-	-	388,954
Deferred revenue	-	29,257	-	29,257	-	49,026	-	49,026
	1,042,210	29,257	-	1,071,467	1,075,211	49,026	-	1,124,237
Fund balances								
General Fund								
Unrestricted	1,411,643	-	-	1,411,643	1,141,289	-	-	1,141,289
Invested in capital assets	83,531	-	-	83,531	34,510	-	-	34,510
	1,495,174	-	-	1,495,174	1,175,799	-	-	1,175,799
Restricted Fund	-	4,267,444	-	4,267,444	-	4,683,576	-	4,683,576
Endowment Fund	-	-	1,100,000	1,100,000	-	-	1,043,740	1,043,740
	1,495,174	4,267,444	1,100,000	6,862,618	1,175,799	4,683,576	1,043,740	6,903,115
	2,537,384	4,296,701	1,100,000	7,934,085	2,251,010	4,732,602	1,043,740	8,027,352

On behalf of the Board

 Director

 Director

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

Scarborough and Rouge Hospital Foundation

Statement of cash flows year ended March 31, 2018

	2018	2017
	\$	\$
Operating activities		
Excess of revenue over expenses	39,206	1,170,585
Cash received on amalgamation (Note 14)	68,529	-
Add items not affecting cash		
Amortization of capital assets	17,838	19,093
Gain on disposal of investments	(40,840)	(88,973)
New charitable remainder trust	-	(187,962)
Interest on Charitable Remainder Trust	(19,489)	(18,164)
Change in unrealized gains on investments	(22,175)	(75,073)
	43,069	819,506
Changes in non-cash working capital items		
Prepaid expenses	(3,840)	2,675
Accounts receivable	43,826	(13,753)
Due to Scarborough and Rouge Hospital	2,240	(121,304)
Accounts payable and accrued liabilities	(35,241)	325,625
Deferred revenue	(19,769)	26,896
Non-cash working capital balances received on amalgamation	(157,355)	-
	(127,070)	1,039,645
Investing activities		
Purchase of capital assets	(57,736)	-
Decrease in market value of Charitable Remainder Trust	43,000	53,000
Net purchase of investments	(252,817)	(1,448,046)
	(267,553)	(1,395,046)
Net decrease in cash	(394,623)	(355,401)
Cash, beginning of year	1,205,387	1,560,788
Cash, end of year	810,764	1,205,387

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

Scarborough and Rouge Hospital Foundation

Notes to the financial statements

March 31, 2018

1. Description of the organization

Scarborough and Rouge Hospital Foundation (the "Foundation") was incorporated as The Scarborough Hospital Foundation under the Corporations Act of Ontario on December 21, 1977. It became Scarborough and Rouge Hospital Foundation effective April 1, 2017 when the Ministry of Government Services of Ontario issued Letters Patent of Amalgamation (see Note 14) for the amalgamation of it with Rouge Valley Health System Foundation.

While it is a separate legal entity from Scarborough and Rouge Hospital, (see Note 14 - formerly known as The Scarborough Hospital prior to its amalgamation with the Centenary site of Rouge Valley Health System on November 1, 2016), the Foundation raises additional financial resources for the hospital and enhances 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 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. Restricted investment income earned on Endowment Fund resources is recognized as revenue of the Restricted 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

Scarborough and Rouge Hospital Foundation

Notes to the financial statements

March 31, 2018

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.
- Endowment Fund – includes those funds where resources are to be maintained permanently as specified by the donors.

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 instruments, which are measured at fair value, and the charitable remainder trust receivable, which is measured based on a discounted cash flow analysis. 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 Scarborough and Rouge Hospital and accounts payable.

Use of estimates

The preparation of these financial statements in accordance 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 at the date of the financial statements and the reported amounts of revenues and expenses during the year. The most significant items subject to management estimation are the fair value of investments (see Note 4) and the charitable remainder trust receivable (see Note 5). Actual results may differ from those estimates.

3. Capital assets

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and fixtures	62,950	55,049	7,901	7,172
Leasehold improvements	13,710	13,168	542	1,626
Donor wall	220,297	188,877	31,420	25,712
Computer software and hardware	87,420	43,752	43,668	-
	384,377	300,846	83,531	34,510

Scarborough and Rouge Hospital Foundation

Notes to the financial statements

March 31, 2018

4. Investments

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

	Cost	Fair value	2018 Effective yield
	\$	\$	%
Fixed Income	3,470,849	3,458,482	3.02
Equity	1,580,440	1,867,448	2.02
	5,051,289	5,325,930	

	Cost	Fair value	2017 Effective yield
	\$	\$	%
Fixed Income	1,638,531	1,675,840	2.75
Loan to Scarborough and Rouge Hospital (Note 7)	1,500,000	1,500,000	2.20
Equity	1,619,101	1,834,258	1.99
	4,757,632	5,010,098	

5. Charitable Remainder Trust receivable

During the years ended March 31, 2013 and March 31, 2017, the Foundation entered into trust agreements which the Foundation has classified as a Charitable Remainder Trust receivable. Capital of \$1,000,000 and \$200,000 respectively have been transferred into the trusts with the accrued interest to be paid to the grantors and the residual capitals 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. Pension

Substantially all employees are eligible to be members of the Healthcare of Ontario Pension Plan which is a multi-employer defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination, or death that provide the highest earnings.

The most recent actuarial valuation of the plan as at December 31, 2017 indicates the plan is 122% funded (December 31, 2016 - 122%). During the year, the Foundation contributed \$118,654 (2017 - \$117,169) to the plan on behalf of employees.

7. Related party transactions

The Foundation and Scarborough and Rouge Hospital ("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.

Scarborough and Rouge Hospital Foundation

Notes to the financial statements

March 31, 2018

7. Related party transactions (continued)

The Foundation leases the parking operation from the Hospital. There is a parking revenue receivable from the Hospital included in Accounts receivable in the amount of \$670,445 (2017 - \$663,165). There are also accrued grants related to parking revenue included in Due to Scarborough and Rouge Hospital in the amount of \$538,996 (2017 - \$550,433).

The Foundation was committed to provide the Hospital with a minimum annual grant of \$1,500,000 per year during the 10 year period ended March 31, 2017. The Foundation was committed to provide the Hospital with a minimum annual grant of \$1,500,000 during the year and is committed to provide a minimum annual grant of \$1,500,000 during the year ending March 31, 2019. The Foundation also committed to provide up to \$868,000 of additional grants over the 2 year period commencing April 1, 2017; during the year \$97,858 of such additional grants were provided to the Hospital.

On March 21, 2018, the Hospital repaid the \$1,500,000 loan provided by the Foundation to the Hospital. The loan, established in May of 2010 was recorded in investments at exchange value and interest at a rate of prime less ½% was paid monthly.

The Foundation's investments are managed by Cidel Asset Management Inc. which is partially owned by a member of the Foundation's Board of Directors. All transactions incurred are in the normal course of operations.

8. Administration expenses

Administration expenses include the following:

	2018	2017
	\$	\$
Amortization	17,838	19,093
Technology, general and office	196,420	160,882
Occupancy	94,370	90,511
Professional and consulting	47,889	99,881
Other	47,906	43,554
	404,423	413,921

9. Investment income, net

Investment income, net, consists of the following:

	2018	2017
	\$	\$
Realized gain	176,964	165,078
Unrealized gain	22,175	75,073
Less: Management fees	(21,036)	(13,132)
	178,103	227,019

10. Interfund transfers

A total of \$306,220 (2017 - \$120,510) was transferred to the General fund from the Restricted fund as an allocation of restricted funds raised in accordance with the Foundation's revenue policy. During the year, a total of \$54,760 (2017 - \$Nil) was transferred to the Endowment fund from the Restricted Fund to increase the Endowment fund to \$1.1 million.

Scarborough and Rouge Hospital Foundation

Notes to the financial statements

March 31, 2018

11. 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.
- (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.

12. Letter of credit

The Foundation has two letters of credit with respect to charitable gaming activities. As of March 31, 2018, there are available letters of credit of \$24,000 (2017 - \$24,000) and \$162,500 (2017 - \$162,500). As of March 31, 2018 and March 31, 2017, no amounts have been applied against these letters of credit.

13. 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.

Scarborough and Rouge Hospital Foundation

Notes to the financial statements

March 31, 2018

13. Financial instruments (continued)

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 have fixed interest and are subject to interest rate risk.

14. Amalgamation of The Scarborough Hospital Foundation and Rouge Valley Health System Foundation

On December 1, 2016 the Ministry of Government Services approved Letters Patent that amalgamated the Birchmount and General sites of The Scarborough Hospital and the Centenary site of Rouge Valley Health System and they were continued as the Scarborough and Rouge Hospital.

With the knowledge of these changes, The Scarborough Hospital Foundation (the "Foundation") and the Rouge Valley Health System Foundation ("RVHSF") reviewed their respective governance and fundraising structures to ensure their abilities to provide necessary funding to meet the health care needs of the new single hospital corporation, Scarborough and Rouge Hospital.

On October 6, 2016, the Scarborough Hospital Foundation signed a Memorandum of Understanding with RVHSF to agree that it would be in their mutual interests, after appropriate due diligence and consents, to combine to form one corporation. On December 1, 2016 an Amalgamation agreement was signed.

As per the Amalgamation agreement, during the year ended March 31, 2017, RVHSF transferred restricted funds to both the Foundation and to Ajax Pickering Hospital Foundation. Included in the Foundation's prior year's Fundraising Revenue-Gift Planning were the following gifts from RVHSF:

	\$
Restricted Centenary Deficit	(258,696)
Restricted Centenary	1,986,965
Endowed Centenary	1,043,740
Total gifts	2,772,009

Effective April 1, 2017, the Ministry of Government Services of Ontario issued Letters Patent of Amalgamation to the new combined Scarborough and Rouge Hospital Foundation.

The assets and liabilities transferred from Rouge Valley Health System Foundation into the new amalgamated Foundation on April 1, 2017 were as follows:

	\$
Assets	
Cash and cash equivalents	68,529
Accounts receivable	28,970
Capital assets	9,123
Total assets	106,622
Liabilities	
Accounts payable and accrued liabilities	117,678
Due to the Ajax Pickering Hospital Foundation	20,058
Due to the Scarborough Hospital Foundation	48,589
Fund balances	(79,703)
Total liabilities and fund balances	106,622

15. Comparative figures

Certain comparative figures have been reclassified to conform to the 2018 presentation.