

Financial statements of

**Southlake Regional Health Centre  
Foundation**

March 31, 2017

# Southlake Regional Health Centre Foundation

March 31, 2017

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## Independent Auditor's Report

To the Members and Benefactors of  
Southlake Regional Health Centre Foundation

We have audited the accompanying financial statements of Southlake Regional Health Centre Foundation, which comprise the balance sheet as at March 31, 2017, and the statements of operations and changes in fund balances, and cash flows for the year ended March 31, 2017, 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 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.

**Opinion**

In our opinion the financial statements present fairly, in all material respects, the financial position of Southlake Regional Health Centre Foundation as at March 31, 2017 and the results of its operations and its cash flows for the year ended March 31, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants  
Licensed Public Accountants  
June ●, 2017


# Southlake Regional Health Centre Foundation

Balance sheet  
as at March 31, 2017

	2017	2016
	\$	\$
<b>Assets</b>		
Current assets		
Cash	3,273,518	2,328,799
Accounts receivable	118,701	237,903
Investments (Note 3a)	26,855,336	28,285,220
Restricted cash (Note 15)	50,000	50,000
	<b>30,297,555</b>	<b>30,901,922</b>
Capital assets, net (Note 4)	113,019	161,555
	<b>30,410,574</b>	<b>31,063,477</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	437,429	210,374
Deferred revenue	279,196	117,442
Due to Southlake Regional Health Centre (Note 10)	159,212	237,451
	<b>875,837</b>	<b>565,267</b>
Commitments (Note 11)		
<b>Fund balances</b>		
Unrestricted (Note 5)	6,808	638,105
Restricted (Note 6)	4,085,233	7,060,007
Endowment (Note 7)	25,442,696	22,800,098
	<b>29,534,737</b>	<b>30,498,210</b>
	<b>30,410,574</b>	<b>31,063,477</b>

Approved by the Board

 Director

 Director

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

# Southlake Regional Health Centre Foundation

Statement of operations and changes in fund balances  
year ended March 31, 2017

	Unrestricted Fund		Restricted Fund		Endowment Fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
Donations and fundraising	3,969,593	3,970,008	2,764,568	2,869,816	678,268	278,837	7,412,429	7,118,661
Residential Hospice "Love lives here" Campaign	-	-	2,311,184	1,444,115	-	-	2,311,184	1,444,115
Diagnostic Imaging "Images for Life" Campaign	-	-	998,625	1,211,341	-	-	998,625	1,211,341
Regional Cancer Centre "Count on Me" Campaign	-	-	104,500	295,893	-	-	104,500	295,893
Investment income (Note 3b)	3,969,593	3,970,008	6,178,877	5,821,165	678,268	278,837	10,826,738	10,070,010
	17,217	16,996	47,990	26,673	2,770,447	(646,748)	2,835,654	(603,079)
	3,986,810	3,987,004	6,226,867	5,847,838	3,448,715	(367,911)	13,662,392	9,466,931
<b>Expenses</b>								
Fundraising and administrative	2,832,719	3,045,572	904,036	843,932	101,740	41,826	3,838,495	3,931,330
Excess of revenue over expenses before grants	1,154,091	941,432	5,322,831	5,003,906	3,346,975	(409,737)	9,823,897	5,535,601
Grants to Southlake Regional Health Centre (Note 9)	1,776,490	435,233	8,995,951	2,414,703	-	-	10,772,441	2,849,936
Grants to others (Note 9)	-	-	14,929	101,472	-	-	14,929	101,472
Total grants	1,776,490	435,233	9,010,880	2,516,175	-	-	10,787,370	2,951,408
Excess of revenue over expenses for the year	(622,399)	506,199	(3,688,049)	2,487,731	3,346,975	(409,737)	(963,473)	2,584,193
Fund balances, beginning of the year	638,105	154,689	7,060,007	3,699,107	22,800,098	24,060,221	30,498,210	27,914,017
Interfund transfers	(8,898)	(22,783)	713,275	873,169	(704,377)	(850,386)	-	-
<b>Fund balances, end of year</b>	<b>6,808</b>	<b>638,105</b>	<b>4,085,233</b>	<b>7,060,007</b>	<b>25,442,696</b>	<b>22,800,098</b>	<b>29,534,737</b>	<b>30,498,210</b>

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

# Southlake Regional Health Centre Foundation

## Statement of cash flows year ended March 31, 2017

	2017	2016
	\$	\$
<b>Operating activities</b>		
(Deficiency) Excess of revenue over expenses for the year	(963,473)	2,584,193
Items not affecting cash		
Net realized and unrealized (gain) loss included in investment income (Note 3b)	(2,171,979)	1,333,058
Amortization of capital assets	48,536	83,668
Non-operating item-contributions restricted for endowment	(678,268)	(278,837)
	<b>(3,765,184)</b>	<b>3,722,082</b>
Change in non-cash operating items		
Decrease (increase) in accounts receivable	119,202	(138,535)
Increase in accounts payable and accrued liabilities	227,055	27,810
Increase (decrease) in deferred revenue	161,754	(247,104)
(Decrease) increase in due to Southlake Regional Health Centre	(78,239)	36,067
	<b>(3,335,412)</b>	<b>3,400,320</b>
<b>Financing activity</b>		
Contributions restricted for endowment	678,268	278,837
<b>Investing activities</b>		
Purchase of capital assets	-	(11,082)
Net change in investments	3,601,863	(1,940,846)
	<b>3,601,863</b>	<b>(1,951,928)</b>
Increase in cash	944,719	1,727,229
Cash, beginning of year	2,328,799	601,570
<b>Cash, end of year</b>	<b>3,273,518</b>	<b>2,328,799</b>

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

# Southlake Regional Health Centre Foundation

## Notes to the financial statements

March 31, 2017

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### 1. Purpose and organization

Southlake Regional Health Centre Foundation (the "Foundation") is incorporated under the laws of the Province of Ontario as a corporation without share capital. The Foundation raises, receives, accumulates and distributes funds and/or the income therefrom for charitable purposes and, in particular, for the benefit of Southlake Regional Health Centre (the "Hospital") and Southlake Residential Care Village (the "Village") in respect of the capital expansion program, equipment and other special programs for the improvement of patient care.

The Foundation is a public foundation registered under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. The Foundation must meet certain requirements within this Act. In the opinion of management, these requirements have been met.

### 2. Significant accounting policies

Management has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

#### *Financial instruments*

The Foundation initially recognizes financial instruments at fair value and subsequently measures them at each reporting date as follows:

Asset/liability	Measurement
Cash	Fair value
Accounts receivable	Amortized cost
Investments	Fair value
Accounts payable and accrued liabilities	Amortized cost
Due to Southlake Regional Health Centre	Amortized cost

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists the asset shall be written down and the resulting impairment loss will be recognized in the statement of operations and changes in fund balances for the period.

#### *Capital assets*

Capital assets are recorded at cost and are amortized over their estimated useful lives at the following rates:

Furniture and equipment	straight line over 5 years
Computer equipment	straight line over 5 years

The useful lives and amortization rates of capital assets are reviewed periodically and any adjustments are recognized in the statement of operations and changes in fund balances in the period in which the changes are identified.

#### *Fund accounting*

The financial statements include the following funds:

- The Unrestricted Fund comprises amounts available for immediate use for the general purpose of the Foundation as determined by the Board of Directors.
- The Restricted Fund comprises amounts that are to be used for specific purposes as specified by the donors, the Board of Directors, or as stipulated by the fundraising appeal.
- The Endowment Fund comprises amounts to be maintained permanently as specified by the donors or the Board of Directors.



# Southlake Regional Health Centre Foundation

## Notes to the financial statements

March 31, 2017

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### 2. Significant accounting policies (continued)

#### *Revenue recognition*

The Foundation follows the Restricted Fund method of accounting for contributions. Restricted contributions are recognized as revenue of the respective fund. Contributions are recorded when they are received. Pledges are not recorded in these financial statements as they are not legally enforceable claims.

The Foundation recognizes revenue for special events in the year in which the event occurs.

Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received. Donor-restricted contributions are recognized as revenue of the Restricted Fund unless the capital is to be maintained permanently, in which case the contributions are recognized as revenue of the Endowment Fund.

Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

#### *Investment income*

Investment income is accrued as it is earned. Investment income includes dividend and interest income, and realized and unrealized gains and losses net of investment management fees. Investment income associated with investments is being allocated to the restricted and endowed funds. Investment income associated with cash is allocated to the unrestricted fund.

#### *Contributed goods and services*

Donors contribute gifts in kind for use in special fundraising events which are recognized at their fair value when such value can be reasonably estimated. Donated property and equipment are recorded at fair value when fair value can be reasonably estimated. Donated materials and services are recorded at fair value when fair value can be reasonably estimated and when the materials and services are normally purchased by the Foundation and would be paid for if not donated.

#### *Contributed securities*

Gifts of publicly traded securities are recognized at estimated fair value based on the closing published price on the date of receipt, when such information is available, or other estimated fair value as applicable.

#### *Volunteer fundraising activities*

The work of the Foundation is dependent on the volunteer fundraising activities of many members. Because these services are not normally purchased by the Foundation and because of the difficulty in determining their fair value, donated services are not recognized in these financial statements.

#### *Use of estimates*

In preparing the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses and changes in fund balances for the year. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include investments due to valuation and accrued liabilities.

# Southlake Regional Health Centre Foundation

## Notes to the financial statements

March 31, 2017

### 3. Investments

The Foundation maintains a significant portion of its investments in pooled funds managed by external investment managers.

a) Investments consist of the following:

	2017	2016
	Fair value	Fair value
	\$	\$
Short term investments (pooled funds)	2,158,032	4,320,563
Bonds	8,748,350	9,768,398
Canadian Equities	5,549,656	5,651,380
US Equities	5,369,021	4,199,612
International Equities	5,030,277	4,345,267
	<b>26,855,336</b>	<b>28,285,220</b>

b) Investment income consists of the following:

	2017	2016
	\$	\$
Realized net gains	9,893	6,913
Unrealized net gain (loss)	2,162,086	(1,339,971)
	<b>2,171,979</b>	<b>(1,333,058)</b>
Interest and other	795,029	836,952
	<b>2,967,008</b>	<b>(496,106)</b>
Investment counselling and safekeeping fees	(131,354)	(106,973)
Investment income	<b>2,835,654</b>	<b>(603,079)</b>

The investment portfolio is managed in accordance with the Foundation's investment policy.

### 4. Capital assets

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and equipment	237,195	198,004	39,191	56,675
Computer equipment	250,078	176,250	73,828	104,880
	<b>487,273</b>	<b>374,254</b>	<b>113,019</b>	<b>161,555</b>

# Southlake Regional Health Centre Foundation

## Notes to the financial statements

March 31, 2017

### 5. Unrestricted Fund

The Unrestricted Fund consists of the following:

			2017	2016
	Excess (deficiency)	Investment in capital assets	Total	Total
	\$	\$	\$	\$
Balance, beginning of year	476,550	161,555	638,105	154,689
Excess of revenue over expenses after grants	(622,399)	-	(622,399)	506,199
Interfund transfers	(8,898)	-	(8,898)	(22,783)
Amortization of capital assets	48,536	(48,536)	-	-
Balance, end of year	(106,211)	113,019	6,808	638,105

### 6. Restricted Fund

The Restricted Fund consists of the following externally restricted amounts:

	2017	2016
	\$	\$
"Count on Me" Campaign	18,097	283,790
"Images for Life" DI Campaign	545,578	2,255,578
"love lives here" Hospice Campaign Village	772,549	1,673,960
	52,448	66,666
Equipment and Program Fund	2,696,561	2,780,013
Balance, end of year	4,085,233	7,060,007

### 7. Endowment Fund

The Endowment Fund consists of the following:

	2017	2016
	\$	\$
Funds externally restricted for endowment purposes		
Income must be used for a restricted purpose	8,274,989	7,481,509
Income is unrestricted	2,850,607	2,614,670
Restricted for endowment purposes by the Board of Directors*		
Income must be used for a restricted purpose	2,668,887	2,450,401
Income is unrestricted	11,648,213	10,253,518
Balance, end of year	25,442,696	22,800,098

\* These funds arose as a result of public solicitation for endowments and as such, they are externally restricted. Accordingly, these funds must be held in the endowment in perpetuity.

Income earned within the Endowment fund remains restricted in use until transferred for use.

# Southlake Regional Health Centre Foundation

## Notes to the financial statements

March 31, 2017

### 8. Special events revenues and expenses

Special events revenues and expenses are included in the statement of operations and changes in fund balances at their gross amounts. Revenues for all others are included in donations and fundraising revenue and expenses are included in fundraising expense. Results for the individual events are as follows:

				2017
	Run/Walk for Southlake	Ball	Golf Tournament	Total
	\$	\$	\$	\$
Revenues	300,770	5,000	322,408	628,178
Expenses	(150,568)	(25,050)	(136,413)	(312,031)
	150,202	(20,050)	185,995	316,147

				2016
	Run/Walk for Southlake	Ball	Golf Tournament	Total
	\$	\$	\$	\$
Revenues	412,539	1,032,774	358,200	1,803,513
Expenses	(118,435)	(385,676)	(132,277)	(636,388)
	294,104	647,098	225,923	1,167,125

Included in special event revenues and expenses are donor contributed gifts in kind revenue of \$128,440 (2016 - \$330,395) and gifts in kind expense of \$129,603 (2016 - \$300,719).

### 9. Grants to Southlake Regional Health Centre

The Board of Directors has authorized grants to Southlake Regional Health Centre of \$10,772,441 (2016 - \$2,849,936) to be used for the purposes specified at the time of transfer. The Board also authorized grants to others on behalf of Southlake Regional Health Centre in the amount of \$14,929 (2016 - \$101,472).

### 10. Related parties

Amounts due to the Hospital include transfers to reimburse the Hospital for amounts they paid on behalf of the Foundation for payroll of \$156,671 (2016 - \$158,409), phones and postage \$2,541 (2016 - \$9,025), as well as grants of \$Nil (2016 - \$70,017).

### 11. Commitments

Future minimum annual lease payments under operating leases for premises are as follows:

\$

Fiscal years ending March 31  
2018

54,083

The Foundation leases its premises at the Medical Arts Building from the Hospital in the form of a sub-lease for a 5 year term that commenced on September 1, 2012. The lease is for a term of 5 years, with two additional 5-year option periods. The first renewal date is September 1, 2017.

# Southlake Regional Health Centre Foundation

## Notes to the financial statements

March 31, 2017

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### 12. Capital management

#### *Unrestricted Fund*

The Unrestricted Fund is comprised of the Foundation's operations and administrative activities. In managing this capital the Foundation's objective is to have sufficient resources to continue operations in accordance with its mission and to provide additional granting from time to time. This need for sufficient resources is considered in the preparation and monitoring of an annual budget, the setting of a cost recovery fee, the monitoring of cash flows and monitoring compliance with the approved investment policy.

#### *Restricted Fund*

The Restricted Fund is comprised of amounts that are to be used for specific purposes as specified by the donors, the Board of Directors, or as stipulated in the fundraising appeal. The Restricted Fund capital is managed under contract by professional investment managers in accordance with the Foundation's investment policies with the objectives of preserving capital while providing for the cash flow needs of the Foundation in order to meet its granting requirements.

#### *Endowment Fund*

The Endowment Fund is comprised of amounts to be maintained permanently as specified by the donors or the Board of Directors. The income earned on these amounts is to be used in accordance with the endowment agreements or instructions of the Board of Directors.

The Endowment Fund capital is managed by professional investment managers in accordance with the Foundation's investment policies. The primary objectives of the Foundation's policies are to provide for long term granting to Southlake Regional Health Centre and to Southlake Village.

The financial objectives of the investment policies are: capital preservation; absolute real returns net of inflation sufficient to meet the minimum granting requirements imposed by the Canada Revenue Agency; and to maximize the total rate of return within acceptable risk tolerances to enable growth of the endowment fund capital over the long term.

Interest and dividend income from this fund is transferred to the Restricted Fund when earned. Grants are made from the Restricted Fund in accordance with the granting policy of the Foundation, when required by Southlake Regional Health Centre and Southlake Village.

Compliance with restrictions imposed by donors or the Board of Directors and compliance with the Foundation's investment and granting policies are monitored by management and reported to committees of the Board of Directors. Management has determined that the restrictions and policies have been satisfactorily complied with for the fiscal year ended March 31, 2017 on a consistent basis with the preceding year.

### 13. Pension plan

All employees of the Foundation are members of the Healthcare of Ontario Pension Plan (the "Plan") which is a multi-employer final average pay contributory pension plan. Employer contributions made to the Plan during the year by the Foundation amount to \$151,850 (2016 - \$150,548) and are included in the statement of operations and changes in fund balances.

### 14. Government remittances

No amounts were outstanding with respect to government remittances at March 31, 2017 (2016 - \$Nil).

# Southlake Regional Health Centre Foundation

## Notes to the financial statements

March 31, 2017

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### 15. Guarantees and contingent liabilities

In the normal course of business, the Foundation enters into agreements that meet the definition of a guarantee. 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 involvement with the Foundation, subject to certain restrictions. Directors' and officers' liability insurance is in place via the Foundation's coverage by the Hospital's HIROC policy, 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 maximum amount of any potential future payment cannot be reasonably estimated.

#### *Letter of credit*

The Foundation has an irrevocable Letter of Credit in the amount of \$50,000 (2016 - \$50,000) issued in respect of charitable lotteries conducted by the Foundation. The Letter of Credit is secured by cash in the amount of \$50,000 which has been set aside and restricted in use. As of March 31, 2017, the Letter of Credit has not been drawn upon (2016 - \$Nil).

### 16. Financial risk management

The Foundation is subject to market, currency, and interest rate risks with respect to its investments.

#### *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.

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation's investments include non-Canadian equities, the value of which fluctuates in part due to changes in foreign exchange rates. The U.S. and International Equity Funds hold assets and liabilities denominated in currencies other than Canadian dollars and this fund is therefore directly exposed to currency risk as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

#### *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.

To manage these risks the Foundation has established investment policies which include target mix of investment types and concentration limits designed to achieve the optimum return within reasonable risk tolerances.