

Financial statements of

**Southlake Regional Health Centre
Foundation**

March 31, 2016

Southlake Regional Health Centre Foundation

March 31, 2016

Table of contents

Independent Auditor's Report 1-2

Balance sheet 3

Statement of operations and changes in fund balances 4

Statement of cash flows 5

Notes to the financial statements 6-12



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 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, 2016, and the statements of operations and changes in fund balances, and cash flows for the year ended March 31, 2016, 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, 2016 and the results of its operations and its cash flows for the year ended March 31, 2016 in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 21, 2016

Southlake Regional Health Centre Foundation

Balance sheet
as at March 31, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,328,799	601,570
Accounts receivable	237,903	99,368
Investments (Note 3a)	28,285,220	27,677,432
Restricted cash (Note 15)	50,000	50,000
	30,901,922	28,428,370
Capital assets, net (Note 4)	161,555	234,141
	31,063,477	28,662,511
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	210,374	182,564
Deferred revenue	117,442	364,546
Due to Southlake Regional Health Centre (Note 10)	237,451	201,384
	565,267	748,494
Commitments (Note 11)		
Fund balances		
Unrestricted (Note 5)	638,105	154,689
Restricted (Note 6)	7,060,007	3,699,107
Endowment (Note 7)	22,800,098	24,060,221
	30,498,210	27,914,017
	31,063,477	28,662,511

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, 2016

	Unrestricted Fund		Restricted Fund		Endowment Fund		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Donations and fundraising	3,970,008	2,465,390	2,869,816	1,852,638	278,837	353,649	7,118,661	4,671,677
Residential Hospice "Love lives here" Campaign	-	-	1,444,115	1,026,834	-	-	1,444,115	1,026,834
Diagnostic Imaging "Images for Life" Campaign	-	-	1,211,341	1,816,096	-	-	1,211,341	1,816,096
Regional Cancer Centre "Count on Me" Campaign	-	-	295,893	428,498	-	-	295,893	428,498
Investment income (Note 3b)	3,970,008	2,465,390	5,821,165	5,124,066	278,837	353,649	10,070,010	7,943,105
	16,996	777,244	26,673	777,043	(646,748)	401,352	(603,079)	1,955,639
	3,987,004	3,242,634	5,847,838	5,901,109	(367,911)	755,001	9,466,931	9,898,744
Expenses								
Fundraising and administrative	3,045,572	2,457,251	843,932	757,151	41,826	133,481	3,931,330	3,347,883
Excess of revenue over expenses before grants	941,432	785,383	5,003,906	5,143,958	(409,737)	621,520	5,535,601	6,550,861
Grants to Southlake Regional Health Centre (Note 9)	435,233	531,124	2,414,703	11,176,311	-	-	2,849,936	11,707,435
Grants to others (Note 9)	-	-	101,472	52,119	-	-	101,472	52,119
Total grants	435,233	531,124	2,516,175	11,228,430	-	-	2,951,408	11,759,554
Excess of revenue over expenses for the year	506,199	254,259	2,487,731	(6,084,472)	(409,737)	621,520	2,584,193	(5,208,693)
Fund balances, beginning of the year	154,689	995,708	3,699,107	9,477,080	24,060,221	22,649,922	27,914,017	33,122,710
Interfund transfers	(22,783)	(1,095,278)	873,169	306,499	(850,386)	788,779	-	-
Fund balances, end of year	638,105	154,689	7,060,007	3,699,107	22,800,098	24,060,221	30,498,210	27,914,017

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, 2016

	2016	2015
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	2,584,193	(5,208,693)
Items not affecting cash		
Net realized and unrealized gain included in investment income (Note 3b)	1,333,058	(1,151,526)
Amortization of capital assets	83,668	35,499
Non-operating item-contributions restricted for endowment	(278,837)	(353,649)
	3,722,082	(6,678,369)
Change in non-cash operating items		
(Decrease) in accounts receivable - parking	-	322,832
(Increase) decrease in accounts receivable	(138,535)	12,174
(Increase) in prepaid expenses and other assets	-	570
Increase in accounts payable and accrued liabilities	27,810	67,700
(Decrease) increase in deferred revenue	(247,104)	103,851
Increase (decrease) in due to Southlake Regional Health Centre	36,067	(804,277)
	3,400,320	(6,975,519)
Financing activity		
Contributions restricted for endowment	278,837	353,649
Investing activities		
Purchase of capital assets	(11,082)	(112,958)
(Increase) in restricted cash (Note 15)	-	(50,000)
Net change in investments	(1,940,846)	7,313,049
	(1,951,928)	7,150,091
Change in cash and cash equivalents		
Increase in cash and cash equivalents	1,727,229	528,221
Cash and cash equivalents, beginning of year	601,570	73,349
Cash and cash equivalents, end of year	2,328,799	601,570

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, 2016

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.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with terms to maturity of three months or less from their date of acquisition.

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 and cash equivalents	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 and software	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, 2016

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. Expenses are allocated to the unrestricted fund.

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. Realized and unrealized gains/losses, subject to external restrictions stipulating that they be added to the principal amount of the endowment, are recognized as revenue of the Endowment Fund. All other investment income earned on the Endowment Fund or Restricted Fund that must be spent on donor-restricted activities is recognized as revenue of the Restricted Fund.

Unrestricted investment income earned on the Endowment Fund, Restricted Fund and Unrestricted Fund is recognized as revenue of the Unrestricted Fund. Transaction costs are expensed as incurred.

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 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, 2016

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:

	2016	2015
	Fair value	Fair value
	\$	\$
Short-term investments (pooled funds)	4,320,563	4,074,549
Bonds	9,768,398	8,891,721
Canadian equities	5,651,380	6,741,162
U.S. equities	4,199,612	4,297,871
International equities	4,345,267	3,672,129
	28,285,220	27,677,432

b) Investment income consists of the following:

	2016	2015
	\$	\$
Realized net gains	6,913	574,763
Unrealized net gain	(1,339,971)	576,763
	(1,333,058)	1,151,526
Interest and other	836,952	928,364
	(496,106)	2,079,890
Investment counselling and safekeeping fees	(106,973)	(124,251)
	(603,079)	1,955,639

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

4. Capital assets

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	237,195	180,520	56,675
Computer equipment	250,078	145,198	104,880
	487,273	325,718	161,555
	2015		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	235,497	163,077	72,420
Computer equipment	272,309	110,588	161,721
	507,806	273,665	234,141

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2016

5. Unrestricted Fund

The Unrestricted Fund consists of the following:

	2016		
	Excess (deficiency)	Investment in capital assets	Total
	\$	\$	\$
Balance, beginning of year	(79,452)	234,141	154,689
Excess of revenue over expenses after grants	506,199	-	506,199
Interfund transfers	(22,783)	-	(22,783)
Investment in capital assets	(11,082)	11,082	-
Amortization of capital assets	83,668	(83,668)	-
Balance, end of year	476,550	161,555	638,105

	2015		
	Excess (deficiency)	Investment in capital assets	Total
	\$	\$	\$
Balance, beginning of year	839,026	156,682	995,708
Excess of revenue over expenses after grants	254,259	-	254,259
Interfund transfers	(1,095,278)	-	(1,095,278)
Investment in capital assets	(112,958)	112,958	-
Amortization of capital assets	35,499	(35,499)	-
Balance, end of year	(79,452)	234,141	154,689

6. Restricted Fund

The Restricted Fund consists of the following externally restricted amounts:

	2016	2015
	\$	\$
"Count on Me" Campaign	283,790	43,849
"Images for Life" DI Campaign	2,255,578	1,217,315
"love lives here" Hospice Campaign	1,673,960	717,657
Village	66,666	52,627
Equipment and Program Fund	2,780,013	1,667,659
Balance, end of year	7,060,007	3,699,107

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2016

7. Endowment Fund

The Endowment Fund consists of the following:

	2016	2015
	\$	\$
Funds externally restricted for endowment purposes		
Income must be used for a restricted purpose	7,481,509	7,866,879
"love lives here" Hospice Campaign	2,614,670	2,775,833
Unrestricted funds restricted for endowment purposes		
by the Board of Directors		
Income must be used for restricted purpose	2,450,401	2,599,297
Income is unrestricted	10,253,518	10,818,212
Balance, end of year	22,800,098	24,060,221

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

8. Special events revenues and expenses

Special events revenues and expenses are included in the statement of operations 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:

	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
	2015			
	Run/Walk for Southlake	Ball	Golf Tournament	Total
	\$	\$	\$	\$
Revenues	351,961	25,710	303,196	680,867
Expenses	(120,267)	(55,526)	(98,049)	(273,842)
	231,694	(29,816)	205,147	407,025

Included in special event revenues and expenses are donor contributed gifts in kind revenue of \$330,395 (2015 - \$150,784) and gifts in kind expense of \$300,719 (2015 - \$138,175).

9. Grants to Southlake Regional Health Centre

The Board of Directors has authorized grants to Southlake Regional Health Centre of \$2,849,936 (2015 - \$11,707,435) 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 \$101,472 (2015 - \$52,119).

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2016

10. Related parties

Amounts due to the Hospital at March 31st include transfers to reimburse the Hospital for amounts they paid on behalf of the Foundation for payroll of \$158,409 (2015 - \$199,700), phones and postage \$9,025 (2015 - \$1,684), as well as grants of \$70,017 (2015 - \$nil).

11. Commitments

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

Fiscal years ending March 31	\$
2017	123,200
2018	51,333
	<hr/> 174,533

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.

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.

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2016

12. Capital management – Endowment Fund (continued)

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, 2016 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 \$150,548 (2015 - \$166,562) 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, 2016 or 2015.

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 (2015 - \$50,000) issued in respect of charitable lotteries conducted by the Foundation. The Letter of Credit is secured by cash and cash equivalents in the amount of \$50,000 which has been set aside and restricted in use. As of March 31, 2016 the Letter of Credit has not been drawn upon.

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.