

Financial statements of

**Southlake Regional Health
Centre Foundation**

March 31, 2015

Southlake Regional Health Centre Foundation

March 31, 2015

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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, 2015, and the statements of operations and changes in fund balances, and cash flows for the year ended March 31, 2015, 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, 2015 and the results of its operations and its cash flows for the year ended March 31, 2015 in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 27, 2015

Southlake Regional Health Centre Foundation

Balance sheet
as at March 31, 2015

	2015	2014
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	651,570	73,349
Accounts receivable - parking	-	322,832
Accounts receivable	99,368	111,542
Prepaid expenses and other assets	-	570
Investments (Note 3a)	27,677,432	33,838,955
	28,428,370	34,347,248
Capital assets, net (Note 4)		
	234,141	156,682
	28,662,511	34,503,930
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	182,564	114,864
Deferred revenue	364,546	260,695
Due to Southlake Regional Health Centre (Note 11)	201,384	1,005,661
	748,494	1,381,220
Fund balances		
Unrestricted (Note 5)	154,689	995,708
Restricted (Note 6)	3,699,107	9,477,080
Endowment (Note 7)	24,060,221	22,649,922
	27,914,017	33,122,710
	28,662,511	34,503,930

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, 2015

	Unrestricted Fund		Restricted Fund		Endowment Fund		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Donations and fundraising (Unrestricted fund only, Note 8)	2,465,390	3,425,215	1,852,638	1,574,323	353,649	168,745	4,671,677	5,168,283
Residential Hospice Campaign	-	-	1,026,834	155,661	-	-	1,026,834	155,661
Diagnostic Imaging "Images for Life" Campaign	-	-	1,816,096	6,485,998	-	-	1,816,096	6,485,998
Regional Cancer Centre "Count on Me" Campaign	-	-	428,498	798,415	-	-	428,498	798,415
	2,465,390	3,425,215	5,124,066	9,014,397	353,649	168,745	7,943,105	12,608,357
Investment income (Note 3c)	777,244	1,560,177	777,043	600,763	401,352	1,116,545	1,955,639	3,277,485
Parking - Net (Note 11)	-	28,593	-	201,305	-	-	-	229,898
	3,242,634	5,013,985	5,901,109	9,816,465	755,001	1,285,290	9,898,744	16,115,740
Expenses								
Fundraising and administrative (Notes 14 and 16)	2,457,251	1,853,272	757,151	1,327,866	133,481	114,019	3,347,883	3,295,157
Excess of revenue over expenses before grants	785,383	3,160,713	5,143,958	8,488,599	621,520	1,171,271	6,550,861	12,820,583
Grants to Southlake Regional Health Centre (Note 9)	531,124	444,155	11,176,311	4,240,360	-	-	11,707,435	4,684,515
Grants to others (Note 9)	-	-	52,119	21,226	-	-	52,119	21,226
Total grants	531,124	444,155	11,228,430	4,261,586	-	-	11,759,554	4,705,741
Excess of revenue over expenses for the year	254,259	2,716,558	(6,084,472)	4,227,013	621,520	1,171,271	(5,208,693)	8,114,842
Fund balances, beginning of the year	995,708	295,556	9,477,080	5,250,067	22,649,922	19,462,245	33,122,710	25,007,868
Interfund transfers (Note 10)	(1,095,278)	(2,016,406)	306,499	-	788,779	2,016,406	-	-
Fund balances, end of year	154,689	995,708	3,699,107	9,477,080	24,060,221	22,649,922	27,914,017	33,122,710

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, 2015

	2015	2014
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	(5,208,693)	8,114,842
Items not affecting cash		
Net realized and unrealized gain included in investment income (Note 3c)	(1,151,526)	(2,645,907)
Amortization of capital assets (Note 5)	35,499	11,551
Non-operating item-contributions restricted for endowment	(353,649)	(168,745)
	(6,678,369)	5,311,741
Change in non-cash operating items		
Increase in accounts receivable - parking	322,832	(238,006)
Decrease in accounts receivable	12,174	41,846
(Increase) decrease in prepaid expenses and other assets	570	(570)
(Decrease) increase in accounts payable and accrued liabilities	67,700	(17,288)
(Decrease) increase in deferred revenue	103,851	(14,529)
Increase (decrease) in due to Southlake Regional Health Centre	(804,277)	853,982
	(6,975,519)	5,937,176
Financing activity		
Contributions restricted for endowment	353,649	168,745
Investing activities		
Purchase of capital assets (Note 5)	(112,958)	(126,478)
Net change in investments	7,313,049	(7,195,674)
Repayment of loan receivable from Southlake Regional Health Centre	-	400,000
	7,200,091	(6,922,152)
Decrease in cash and cash equivalents	578,221	(816,231)
Cash and cash equivalents, beginning of year	73,349	889,580
Cash and cash equivalents, end of year	651,570	73,349

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, 2015

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:

<u>Asset/Liability</u>	<u>Measurement</u>
Cash and cash equivalents	Fair value
Accounts receivable – parking	Amortized cost
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.

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2015

2. Significant accounting policies (continued)

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.

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.

The Foundation recognizes parking revenue in the period in which services are rendered.

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.

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2015

2. Significant accounting policies (continued)

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 as do valuation and accrued liabilities.

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:

	2015	2014
	Fair	Fair
	value	value
	\$	\$
Short-term investments (pooled funds)	4,074,549	8,021,369
Bonds	8,891,721	11,086,692
Canadian equities	6,741,162	6,705,958
U.S. equities	4,297,871	4,050,888
International equities	3,672,129	3,974,048
	27,677,432	33,838,955

b) Investment income consists of the following:

	2015	2014
	\$	\$
Realized net gains	574,763	539,200
Unrealized net gain	576,763	2,106,707
	1,151,526	2,645,907
Interest and other	928,364	746,165
	2,079,890	3,392,072
Investment counselling and safekeeping fees	(124,251)	(114,587)
	1,955,639	3,277,485

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

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2015

4. Capital assets

	2015		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	235,497	163,077	72,420
Computer equipment and software	272,309	110,588	161,721
	507,806	273,665	234,141

	2014		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	217,777	149,178	68,599
Computer equipment and software	177,071	88,988	88,083
	394,848	238,166	156,682

5. Unrestricted Fund

The Unrestricted Fund consists of the following:

	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 (Note 10)	(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

	2014		
	Excess (deficiency)	Investment in capital assets	Total
	\$	\$	\$
Balance, beginning of year	253,801	41,755	295,556
Excess of revenue over expenses after grants	2,716,558	-	2,716,558
Interfund transfers (Note 10)	(2,016,406)	-	(2,016,406)
Investment in capital assets	(126,478)	126,478	-
Amortization of capital assets	11,551	(11,551)	-
Balance, end of year	839,026	156,682	995,708

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2015

6. Restricted Fund

The Restricted Fund consists of the following externally restricted amounts:

	2015	2014
	\$	\$
"Count on Me" Campaign	43,849	216,451
"Images for Life" DI Campaign	1,217,315	4,978,645
"loves lives here" Hospice Campaign	717,657	132,312
Parking	-	218,383
Village	52,627	94,461
Equipment and Program Fund	1,667,659	3,836,828
Balance, end of year	3,699,107	9,477,080

7. Endowment Fund

The Endowment Fund consists of the following:

	2015	2014
	\$	\$
Funds externally restricted for endowment purposes		
Income must be used for a restricted purpose	7,866,879	7,333,909
Income is unrestricted	2,775,833	2,499,684
Unrestricted funds restricted for endowment purposes by the Board of Directors		
Income must be used for restricted purpose	2,599,297	2,606,799
Income is unrestricted	10,818,212	10,209,530
Balance, end of year	24,060,221	22,649,922

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:

	2015				
	Run/Walk for Southlake	Ball	Golf Tournament	Festival of Trees	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

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2015

8. Special events revenues and expenses (continued)

					2014
	Run/Walk for Southlake	Ball	Golf Tournament	Festival of Trees	Total
	\$	\$	\$	\$	\$
Revenues	294,831	1,201,918	289,342	-	1,786,091
Expenses	(81,176)	(378,549)	(153,007)	(75)	(612,807)
	<u>213,655</u>	<u>823,369</u>	<u>136,335</u>	<u>(75)</u>	<u>1,173,284</u>

Included in special event revenues and expenses are donor contributed gifts in kind revenue of \$150,784 (2014 - \$316,226) and gifts in kind expense of \$138,175 (2014 - \$327,729). Expenses for Festival of Trees reported in 2014 relate to an event that was cancelled in 2014.

9. Grants to Southlake Regional Health Centre

The Board of Directors has authorized grants to Southlake Regional Health Centre of \$11,707,435 (2014 - \$4,684,515) 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 \$52,119 (2014 - \$21,226).

10. Interfund transfers

	2015		
	Unrestricted Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Transfer of unrestricted bequests from the Unrestricted Fund to the Endowment Fund	(536,224)	-	536,224
Transfer of investment gains on Board endowed funds from the Unrestricted Fund to the Endowment Fund	(505,995)	-	505,995
Other transfers	(53,060)	306,499	(253,439)
	<u>(1,095,279)</u>	<u>306,499</u>	<u>788,780</u>

	2014		
	Unrestricted Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Transfer of unrestricted bequests from the Unrestricted Fund to the Endowment Fund	(588,901)	-	588,901
Transfer of investment gains on Board endowed funds from the Unrestricted Fund to the Endowment Fund	(1,427,505)	-	1,427,505
	<u>(2,016,406)</u>	<u>-</u>	<u>2,016,406</u>

The Foundation transferred \$253,439 from endowment funds to restricted funds based on a legal opinion that stated these previously endowed funds, were eligible for transfer.

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2015

11. Related parties

In November 2012, the Southlake Regional Health Centre (the "Hospital") leased the parking facilities to the Foundation for a fee plus a management fee. The Foundation also entered into an agreement to manage the parking operations. The Foundation's statements reflect the revenues and expenses from the operation of the parking facility, including payments to the Hospital. Included in the amount due to the Hospital is \$nil related to parking (2014 - \$333,175).

All parking agreements between the Hospital and Foundation were terminated effective March 31, 2014. As a result, net parking revenue including revenues and expenses were \$nil (2014 - \$229,898).

Included in the Due to Southlake Regional Health Centre balance are accrued grants payable of \$Nil (2014 - \$518,847) and amounts due from the Foundation to the Hospital of \$201,384 (2014 - \$153,639) for salary and overhead costs paid by the Hospital on behalf of the Foundation.

12. Commitments

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

	\$
Fiscal years ending March 31	
2016	119,720
2017	119,720
2018	49,883
	<hr/> 289,323

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.

13. 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.

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2015

13. Capital management (continued)

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, 2015 on a consistent basis with the preceding year.

14. 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 \$166,562 (2014 - \$125,593) and are included in the statement of operations and changes in fund balances.

15. Government remittances

No amounts were outstanding with respect to government remittances at March 31, 2015 or 2014.

16. 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.

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2015

17. 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.

18. Comparative amounts

The following restricted fund amounts have been reclassified in order to conform to current year's financial statement presentation:

	2014
	As previously stated
As amended	stated
\$	\$
"Count on Me" Campaign	216,451
"Images for Life" DI Campaign	4,978,645
"loves lives here" Hospice Campaign	132,312
Parking	218,383
Village	94,461
Equipment and Program Fund	3,836,828
Balance, end of year	9,477,080