

Financial statements of

**The Scarborough  
Hospital Foundation**

March 31, 2017

# **The Scarborough Hospital Foundation**

March 31, 2017

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of The Scarborough Hospital Foundation, which comprise the statement of financial position as at March 31, 2017 and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

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

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
June 29, 2017

# The Scarborough Hospital Foundation

Statement of revenue and expenses  
year ended March 31, 2017

	2017			2016			
	General fund	Restricted fund	Endowment fund	Total funds	General fund	Restricted fund	Total funds
	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>							
Fundraising							
Annual programs and stewardship	813,258	144,846	-	958,104	761,012	95,778	856,790
Community development	171,795	790,466	-	962,261	288,079	1,099,215	1,387,294
Gift planning (Note 14)	551,699	2,749,352	1,043,740	4,344,791	238,677	1,448,632	1,687,309
<b>Total fundraising</b>	<b>1,536,752</b>	<b>3,684,664</b>	<b>1,043,740</b>	<b>6,265,156</b>	<b>1,287,768</b>	<b>2,643,625</b>	<b>3,931,393</b>
Parking operations (Note 7)	5,410,601	-	-	5,410,601	5,374,643	-	5,374,643
Investment income, net (Note 9)	217,451	9,568	-	227,019	5,033	-	5,033
	<b>7,164,804</b>	<b>3,694,232</b>	<b>1,043,740</b>	<b>11,902,776</b>	<b>6,667,444</b>	<b>2,643,625</b>	<b>9,311,069</b>
<b>Expenses</b>							
Fundraising programs	502,252	813,837	-	1,316,089	686,985	751,848	1,438,833
Parking operations (Note 7)	1,115,986	-	-	1,115,986	994,585	-	994,585
Salaries and benefits	833,780	821,052	-	1,654,832	1,335,588	107,296	1,442,884
Administration (Note 8)	357,439	56,482	-	413,921	307,309	-	307,309
	<b>2,809,457</b>	<b>1,691,371</b>	<b>-</b>	<b>4,500,828</b>	<b>3,324,467</b>	<b>859,144</b>	<b>4,183,611</b>
Excess of revenue over expenses before grants	4,355,347	2,002,861	1,043,740	7,401,948	3,342,977	1,784,481	5,127,458
Grants to Scarborough and Rouge Hospital	(4,306,094)	(1,925,269)	-	(6,231,363)	(4,368,573)	(957,362)	(5,325,935)
<b>Excess (deficiency) of revenue over expenses</b>	<b>49,253</b>	<b>77,592</b>	<b>1,043,740</b>	<b>1,170,585</b>	<b>(1,025,596)</b>	<b>827,119</b>	<b>(198,477)</b>

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

# The Scarborough Hospital Foundation

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

	2017			2016			
	General fund	Restricted fund	Endowment fund	Total funds	General fund	Restricted fund	Total funds
	\$	\$	\$	\$	\$	\$	\$
<b>Fund balances, beginning of year</b>	<b>1,006,036</b>	<b>4,726,494</b>	<b>-</b>	<b>5,732,530</b>	<b>1,842,048</b>	<b>4,088,959</b>	<b>5,931,007</b>
Excess (deficiency) of revenue over expenses	49,253	77,592	1,043,740	1,170,585	(1,025,596)	827,119	(198,477)
Interfund transfers (Note 10)	120,510	(120,510)	-	-	189,584	(189,584)	-
<b>Fund balances, end of year</b>	<b>1,175,799</b>	<b>4,683,576</b>	<b>1,043,740</b>	<b>6,903,115</b>	<b>1,006,036</b>	<b>4,726,494</b>	<b>5,732,530</b>


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


# The Scarborough Hospital Foundation

Statement of financial position  
as at March 31, 2017

	2017			2016			
	General fund	Restricted fund	Endowment fund	Total funds	General fund	Restricted fund	Total funds
	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>							
<b>Current assets</b>							
Cash	74,299	1,131,088	-	1,205,387	210,170	1,350,618	1,560,788
Accounts receivable (Note 7)	740,827	-	-	740,827	727,074	-	727,074
Prepaid expenses	11,008	-	-	11,008	13,683	-	13,683
	<b>826,134</b>	<b>1,131,088</b>	<b>-</b>	<b>1,957,222</b>	<b>950,927</b>	<b>1,350,618</b>	<b>2,301,545</b>
Investments (Note 4)	364,844	3,601,514	1,043,740	5,010,098	-	3,398,006	3,398,006
Charitable Remainder Trust receivable (Note 5)	1,025,522	-	-	1,025,522	872,396	-	872,396
Capital assets (Note 3)	34,510	-	-	34,510	53,603	-	53,603
	<b>2,251,010</b>	<b>4,732,602</b>	<b>1,043,740</b>	<b>8,027,352</b>	<b>1,876,926</b>	<b>4,748,624</b>	<b>6,625,550</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Due to Scarborough and Rouge Hospital (Note 7)	686,257	-	-	686,257	807,561	-	807,561
Accounts payable and accrued liabilities	388,954	-	-	388,954	63,329	-	63,329
Deferred revenue	-	49,026	-	49,026	-	22,130	22,130
	<b>1,075,211</b>	<b>49,026</b>	<b>-</b>	<b>1,124,237</b>	<b>870,890</b>	<b>22,130</b>	<b>893,020</b>
<b>Fund balances</b>							
<b>General Fund</b>							
Unrestricted	1,141,289	-	-	1,141,289	952,433	-	952,433
Invested in capital assets	34,510	-	-	34,510	53,603	-	53,603
	<b>1,175,799</b>	<b>-</b>	<b>-</b>	<b>1,175,799</b>	<b>1,006,036</b>	<b>-</b>	<b>1,006,036</b>
<b>Restricted Fund</b>							
	-	4,683,576	-	4,683,576	-	4,726,494	4,726,494
<b>Endowment Fund</b>							
	-	-	1,043,740	1,043,740	-	-	-
	<b>1,175,799</b>	<b>4,683,576</b>	<b>1,043,740</b>	<b>6,903,115</b>	<b>1,006,036</b>	<b>4,726,494</b>	<b>5,732,530</b>
	<b>2,251,010</b>	<b>4,732,602</b>	<b>1,043,740</b>	<b>8,027,352</b>	<b>1,876,926</b>	<b>4,748,624</b>	<b>6,625,550</b>

On behalf of the Board

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

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

# The Scarborough Hospital Foundation

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

	2017	2016
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	1,170,585	(198,477)
Add items not affecting cash		
Amortization of capital assets	19,093	21,492
(Gain) loss on disposal of investments	(88,973)	248
New charitable remainder trust	(187,962)	-
Interest on Charitable Remainder Trust	(18,164)	(16,854)
Change in unrealized gains on investments	(75,073)	104,489
	<b>819,506</b>	<b>(89,102)</b>
Changes in non-cash working capital items		
Prepaid expenses	2,675	4,000
Accounts receivable	(13,753)	180,148
Due to Scarborough and Rouge Hospital	(121,304)	(225,402)
Accounts payable and accrued liabilities	325,625	13,337
Deferred revenue	26,896	5,130
	<b>1,039,645</b>	<b>(111,889)</b>
<b>Investing activities</b>		
Purchase of capital assets	-	(33,586)
Decrease in market value of Charitable Remainder Trust	53,000	-
Net (purchase) sale of investments	(1,448,046)	1,040,812
	<b>(1,395,046)</b>	<b>1,007,226</b>
Net (decrease) increase in cash	<b>(355,401)</b>	<b>895,337</b>
Cash, beginning of year	<b>1,560,788</b>	<b>665,451</b>
<b>Cash, end of year</b>	<b>1,205,387</b>	<b>1,560,788</b>

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



# The Scarborough Hospital Foundation

## Notes to the financial statements

March 31, 2017

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### 1. Description of the organization

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

While it is a separate legal entity from Scarborough and Rouge Hospital, (see Note 13 -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 was established to raise additional financial resources for the hospital and to enhance the profile of the hospital in the community. These objectives are accomplished through a number of fundraising initiatives planned, implemented, and managed by the Foundation.

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

### 2. Significant accounting policies

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

#### *Revenue recognition*

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

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

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

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

#### *Volunteers' contributed services*

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

#### *Capital assets*

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

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

# The Scarborough Hospital Foundation

## Notes to the financial statements

March 31, 2017

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### 2. Significant accounting policies (continued)

#### *Fund accounting*

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

- General Fund - reflecting the activities associated with the Foundation's day-to-day operations. The General Fund reports unrestricted resources available for immediate purposes.
- Restricted Fund - includes those funds where resources are to be used for identified purposes as specified by the donor, as stipulated by the fundraising appeal, or as determined by the Board of Directors.
- The Endowment Fund comprises amounts 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, which are measured at fair value. Changes in fair value are recognized in the Statement of revenue and expenses.

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

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

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

### 3. Capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and fixtures	53,145	45,973	7,172	14,353
Leasehold improvements	13,710	12,084	1,626	3,537
Donor wall	206,229	180,517	25,712	35,713
Computer software and hardware	91,779	91,779	-	-
	<b>364,863</b>	<b>330,353</b>	<b>34,510</b>	<b>53,603</b>

# The Scarborough Hospital Foundation

## Notes to the financial statements

March 31, 2017

### 4. Investments

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

		2017	
	Cost	Fair value	Effective yield
	\$	\$	%
Fixed income	1,638,531	1,675,840	2.75%
Loan to The Scarborough Hospital (Note 6)	1,500,000	1,500,000	2.20%
Equity	1,619,101	1,834,258	1.99%
	<b>4,757,632</b>	<b>5,010,098</b>	

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

### 5. Charitable Remainder Trust receivable

During the year, the Foundation entered into a trust agreement which the Foundation has classified as a Charitable Remainder Trust receivable. Capital of \$200,000 has been transferred into the trust with the accrued interest to be paid to the grantors and the residual capital to be paid to the Foundation at the date of death of the grantors. The receivable has been measured based on a discounted cash flow analysis, using a risk free 10 year discount rate based on estimated remaining lives of the grantors.

During the year ended March 31, 2013, the Foundation entered into a similar trust agreement with original capital of \$1,000,000 with the same terms as the above mentioned receivable.

### 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, 2016 indicates the plan is 122% funded. During the year, the Foundation contributed \$117,169 (2016 - \$106,308) to the plan on behalf of employees.

### 7. Related party transactions

The Foundation and the 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.

# The Scarborough Hospital Foundation

## Notes to the financial statements

March 31, 2017

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### 7. Related party transactions (continued)

The Foundation leases the parking operation from the Hospital. The Hospital charges a fee to the Foundation for managing the operation. There is a parking revenue receivable from the Hospital included in accounts receivable in the amount of \$663,165 (2016 - \$702,604). There are also accrued grants related to parking revenue included in due to the Hospital in the amount of \$550,433 (2016 - \$597,006).

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

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

The Foundation's investments are managed by Cidel Asset Management Inc. (formerly known as Toron Investment Management), 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:

	2017	2016
	\$	\$
Amortization	19,093	21,492
General and office	177,175	167,759
Occupancy	90,099	90,231
Professional and consulting	99,881	13,783
Other	27,673	14,044
	<b>413,921</b>	<b>307,309</b>

### 9. Investment income, net

Investment income, net, consists of the following:

	2017	2016
	\$	\$
Realized gain	165,078	123,891
Unrealized (loss) gain	75,073	(104,489)
Less: Management fees	(13,132)	(14,369)
	<b>227,019</b>	<b>5,033</b>

### 10. Interfund transfers

A total of \$120,510 (2016 - \$189,584) was transferred to the General fund from the Restricted fund as an allocation of restricted funds raised in accordance with the Foundation's policy.

# The Scarborough Hospital Foundation

## Notes to the financial statements

March 31, 2017

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### 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, 2017, the available letters of credit \$24,000 (2016 - \$24,000) and \$162,500 (2016 - \$162,500). As of March 31, 2017 and March 31, 2016, 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.

#### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Foundation. The interest bearing investments held by the Foundation have a limited exposure to interest rate risk due to their short-term maturity. The fixed-income investments held in the Foundation's portfolio, has fixed interest and is subject to interest rate risk.

# The Scarborough Hospital Foundation

Notes to the financial statements

March 31, 2017

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**14. Amalgamation of The Scarborough Hospital and the Centenary site of Rouge Valley Health System and Subsequent Event**

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") reviewed its governance and fundraising structure to ensure its ability 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 Foundation signed a Memorandum of Understanding with the Rouge Valley Health System Foundation ("RVHSF") to agree that it would be in their mutual interest, 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, RVHSF transferred restricted funds to both the Foundation and to Ajax Pickering Hospital Foundation. Included in Fundraising Revenue- Gift Planning are the following gifts from RVHSF:

	2017
	\$
Restricted Centenary Deficit	(258,696)
Restricted Centenary	1,986,965
Endowed Centenary	1,043,740
<b>Total gifts</b>	<b>2,772,009</b>

The Foundation provided various administrative and management services as approved by the RVHSF's Board to support RVHSF between December 1, 2016 and March 31, 2017; these services were provided at no charge.

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.

**15. Comparative figures**

Certain comparative figures have been reclassified to conform to the 2017 presentation.