

Humber River Hospital Foundation
Financial Statements
For the year ended March 31, 2018

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Independent Auditor's Report

To the Board of Directors of Humber River Hospital Foundation

We have audited the accompanying financial statements of Humber River Hospital Foundation, which comprise the balance sheet as at March 31, 2018, and the statements of operations and 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 Foundation'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 Foundation'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 for Humber River Hospital Foundation as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 13, 2018

Humber River Hospital Foundation Balance Sheet

March 31 **2018** **2017**

Assets

Cash and cash equivalents (Note 2)	\$ 1,367,953	\$ 7,006,803
Investments (Note 3)	8,682,009	5,490,643
Accounts receivable	132,663	109,699
Prepaid expenses	184,030	128,244
Capital assets (Note 4)	327,507	3,141
	\$ 10,694,162	\$ 12,738,530

Liabilities and Fund Balances

Liabilities

Accounts payable	\$ 164,286	\$ 272,232
Due to Humber River Hospital (Note 5)	78,535	32,321
Deferred revenue	263,094	300,500
	505,915	605,053

Fund balances

General fund (Note 6)		
Unrestricted	2,410,099	3,698,097
Invested in capital assets	327,507	3,141
	2,737,606	3,701,238
Restricted funds (Note 7)		
Capital restricted	5,303,517	7,098,636
Board designated	504,734	508,283
Other donor restricted	1,642,390	825,320
	7,450,641	8,432,239
	10,188,247	12,133,477
	\$ 10,694,162	\$ 12,738,530

On behalf of the Board:

Director

Director

The accompanying notes are an integral part of these financial statements.

Humber River Hospital Foundation Statement of Operations and Changes in Fund Balances

For the year ended March 31

	General Fund		Restricted Funds		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Donations	\$ 519,413	\$ 445,490	\$ 1,434,130	\$ 269,147	\$ 1,953,543	\$ 714,637
Investment income	141,899	267,659	151,831	288,363	293,730	556,022
Special events	1,477,481	2,155,351	-	-	1,477,481	2,155,351
Capital restricted	-	-	5,293,218	9,459,894	5,293,218	9,459,894
	2,138,793	2,868,500	6,879,179	10,017,404	9,017,972	12,885,904
Expenses						
Salaries and benefits	2,266,584	2,295,302	-	-	2,266,584	2,295,302
Fundraising and promotion	258,129	268,215	-	-	258,129	268,215
Special events	473,282	709,372	-	-	473,282	709,372
Administration and general	69,399	88,204	133,215	118,982	202,614	207,186
Investment management fees	11,128	11,264	21,357	15,192	32,485	26,456
Capital restricted	-	-	456,481	433,370	456,481	433,370
Amortization	23,903	1,330	-	-	23,903	1,330
	3,102,425	3,373,687	611,053	567,544	3,713,478	3,941,231
Excess (deficiency) of revenues over expenses before the following	(963,632)	(505,187)	6,268,126	9,449,860	5,304,494	8,944,673
Gifts to Humber River Hospital (Note 5)	-	-	(7,240,224)	(7,584,355)	(7,240,224)	(7,584,355)
Al Palladini Scholarship Fund	-	-	(9,500)	(9,486)	(9,500)	(9,486)
Excess (deficiency) of revenues over expenses for the year	(963,632)	(505,187)	(981,598)	1,856,019	(1,945,230)	1,350,832
Fund balances, beginning of year	3,701,238	4,000,000	8,432,239	6,782,645	12,133,477	10,782,645
Interfund transfer	-	206,425	-	(206,425)	-	-
Fund balances, end of year	\$ 2,737,606	\$ 3,701,238	\$ 7,450,641	\$ 8,432,239	\$ 10,188,247	\$ 12,133,477

The accompanying notes are an integral part of these financial statements.

Humber River Hospital Foundation Statement of Cash Flows

For the year ended March 31 **2018** **2017**

Cash provided by (used in)

Operating activities

Excess of revenue over expenses before gifts to Humber River Hospital and Al Palladini Scholarship Fund	\$ 5,304,494	\$ 8,944,673
Adjustments required to reconcile excess of revenue over expenses to net cash provided by operating activities		
Amortization of capital assets	23,903	1,330
Unrealized (gain) loss on investments	230,119	(295,147)
Changes in non-cash working capital balances		
Accounts receivable	(22,964)	1,192
Prepaid expenses	(55,786)	20,824
Accounts payable	(107,946)	126,771
Deferred revenue	(37,406)	(160,092)
Due to Humber River Hospital	46,214	(15,719)

	5,380,628	8,623,832
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Financing and investing activities

Purchase of capital assets	(348,269)	(4,471)
Investments, net	(3,421,485)	(1,739,083)
Gifts to Humber River Hospital	(7,240,224)	(7,584,355)
Al Palladini Scholarship Fund	(9,500)	(9,486)

	(11,019,478)	(9,337,395)
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(Decrease) increase in cash and cash equivalents during the year

	(5,638,850)	(713,563)
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Cash and cash equivalents, beginning of year

	7,006,803	7,720,366
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Cash and cash equivalents, end of year

	\$ 1,367,953	\$ 7,006,803
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The accompanying notes are an integral part of these financial statements.

Humber River Hospital Foundation

Notes to Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies

Nature of Organization

Humber River Hospital Foundation was incorporated under the Corporations Act (Ontario) as a corporation without share capital and was established to receive, maintain, invest and administer funds and apply them for charitable purposes associated with or related to the use, operation, maintenance, renovation and equipment of Humber River Hospital (the "Hospital") and other charitable purposes.

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. 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.

General

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Fund Accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors (the "Board"). Transfers between the funds are made when it is considered appropriate and authorized by the Board. To meet these objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. The interfund transfers are recorded as a component of changes in fund balances.

Humber River Hospital Foundation

Notes to Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

For financial reporting purposes, the Foundation's funds have been classified as follows:

General Fund

The General fund accounts for the Foundation's general fundraising, granting and administrative activities. The General fund reports unrestricted resources available for immediate purposes.

Restricted Funds

Capital restricted - These funds are designated to support the equipment purchases of the new hospital and includes the fulfillment of pledges from the Capital campaign. Any direct expenses incurred to generate these revenues are charged to this fund.

Board designated - Board designated funds represent amounts that have been restricted for specific purposes by the Board and are not available for use without its approval.

Other donor restricted - These funds are externally restricted based on the designation of the donor and may only be spent in the manner consistent with the donor's wishes.

Revenue Recognition

The Foundation follows the restricted fund method of accounting for contributions. Donations, including gifts in kind, are recognized as revenue in the year in which they are received. Special events revenue is recognized when the event takes place, amounts can be reasonably estimated and collection is reasonably assured. Revenue for special events held after year end including the Gala, Awesome Golf Tournament and Team Revolution GranFondo event which are received before year end are included in deferred revenue.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, bank balances and Guaranteed Investment Certificates.

Investments and Investment Income

Investments consist of investment funds and are carried in the financial statements at fair value based on quoted market values. The Foundation has adopted an investment policy that outlines the various investments that can be included in the portfolio.

Investment income is recognized as revenue on an accrual basis and has been allocated to Restricted funds based on their share of the investments held during the year. The balance remains in the General fund. Investment income includes interest and realized and unrealized gains and losses on financial assets.

Humber River Hospital Foundation

Notes to Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Contributed Services

The Foundation derives a significant benefit from members acting as volunteers and directors. Since these services are not normally purchased by the Foundation and because of the difficulty in determining fair value, contributed services are not recognized in these financial statements.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Furniture and fixtures	- straight-line basis over five to twenty years
Computer equipment	- straight-line basis over three years
Computer software	- straight-line basis over five years
Office equipment	- straight-line basis over five years

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, all investments have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost, less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

2. Cash and Cash Equivalents

	2018	2017
Cash	\$ 863,219	\$ 2,190,505
Guaranteed Investment Certificates	-	4,308,015
Guaranteed Investment Certificates – Al Palladini	504,734	508,283
	\$ 1,367,953	\$ 7,006,803

During the year ended March 31st, 2017, Guaranteed investment certificates bore interest at 1.00% - 1.15%. The Guaranteed investment certificates matured from April 2017 to October 2017.

Humber River Hospital Foundation Notes to Financial Statements

March 31, 2018

3. Investments

	2018	2017
Cash and money market fund	\$ 2,209,046	\$ 510,165
Fixed income	4,221,209	2,899,157
Canadian equity	759,877	746,359
U.S. equity	797,562	737,671
International equity	694,315	597,291
	\$ 8,682,009	\$ 5,490,643

4. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 352,432	\$ 27,934	\$ 7,250	\$ 4,834
Computer equipment	43,565	42,101	42,419	41,910
Computer software	64,771	64,771	64,771	64,555
Office equipment	12,041	10,496	10,100	10,100
	\$ 472,809	\$ 145,302	124,540	121,399
Net book value		\$ 327,507	\$	3,141

5. Due to Humber River Hospital

During the year ended March 31, 2018, the Foundation had several transactions with Humber River Hospital. These transactions are in the normal course of operations and include reimbursements of funds disbursed on the Foundation's behalf. These amounts are repaid on a cost recovery basis. The balance due to the Humber River Hospital is non-interest bearing, unsecured and is due in the next fiscal year.

The Foundation also paid \$25,000 (2017 - \$25,000) in administration fees to the Hospital. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

During the year, the Foundation donated \$7,240,224 (2017 - \$7,584,355) to the Hospital.

Humber River Hospital Foundation Notes to Financial Statements

March 31, 2018

6. General Fund

The changes in the components of the General fund during the year are as follows:

	Invested in Capital Assets	Unrestricted	Total
Balance, April 1, 2017	\$ 3,141	\$ 3,698,097	\$ 3,701,238
Deficiency of revenues over expenses before gifts to Humber River Hospital	-	(963,632)	(963,632)
Additional investment in capital assets	348,269	(348,269)	-
Amortization	(23,903)	23,903	-
Balance, March 31, 2018	\$ 327,507	\$ 2,410,099	\$ 2,737,606

	Invested in Capital Assets	Unrestricted	Total
Balance, April 1, 2016	\$ -	\$ 4,000,000	\$ 4,000,000
Deficiency of revenues over expenses before gifts to Humber River Hospital	-	(505,187)	(505,187)
Additional investment in capital assets	4,471	(4,471)	-
Amortization	(1,330)	1,330	-
Transfer from Restricted funds	-	206,425	206,425
Balance, March 31, 2017	\$ 3,141	\$ 3,698,097	\$ 3,701,238

There were no transfers to the Unrestricted General Fund in the current year. During the year ended March 31, 2017, the Foundation recorded a transfer to the Unrestricted General Fund from the Board Designated Restricted Fund in the amount of \$206,425.

Humber River Hospital Foundation Notes to Financial Statements

March 31, 2018

7. Restricted Funds

The changes in the components of the Restricted funds during the year are as follows:

	Other Donor Restricted	Capital Restricted	Board Designated	Total
Balance , April 1, 2017	\$ 825,320	\$ 7,098,636	\$ 508,283	\$ 8,432,239
Excess of revenues over expenses	1,434,130	4,828,045	5,951	6,268,126
Gifts to Humber River Hospital	(617,060)	(6,623,164)	-	(7,240,224)
Al Palladini Scholarship fund	-	-	(9,500)	(9,500)
Balance , March 31, 2018	\$ 1,642,390	\$ 5,303,517	\$ 504,734	\$ 7,450,641

	Other Donor Restricted	Capital Restricted	Board Designated	Total
Balance , April 1, 2016	\$ 870,137	\$ 5,198,903	\$ 713,605	\$ 6,782,645
Excess of revenues over expenses	269,146	9,170,125	10,589	9,449,860
Gifts to Humber River Hospital	(313,963)	(7,270,392)	-	(7,584,355)
Al Palladini Scholarship fund	-	-	(9,486)	(9,486)
Transfer to unrestricted fund	-	-	(206,425)	(206,425)
Balance , March 31, 2017	\$ 825,320	\$ 7,098,636	\$ 508,283	\$ 8,432,239

Capital Restricted

During the year ended March 31, 2018, additions to the capital restricted fund amounted to \$5,293,218 (2017 - \$9,459,894).

Board Designated

There were no transfers from the Board Designated Restricted Fund in the current year. During the year ended March 31, 2017, the Foundation recorded a transfer from the Board Designated Restricted Fund to the Unrestricted General Fund in the amount of \$206,425.

In addition, in fiscal 2002, the Board designated \$500,000 from the General fund for the specific purpose of establishing the Al Palladini Education Fund. As at March 31, 2018, the balance of this fund is \$504,734 (2017 - \$508,283).

Humber River Hospital Foundation Notes to Financial Statements

March 31, 2018

8. Financial Instruments

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk through its investments.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Foundation is exposed to this risk through its interest bearing investments (Note 3).

Market Risk

The Foundation is subject to market risk with respect to its investments. The values of these investments will fluctuate as a result of changes in market prices, interest rates or other factors affecting the value of the investments.

Foreign Exchange Risk

The Foundation has equity investments in foreign currency which account for approximately 17% (2017 - 14%) of the total investment portfolio. This gives rise to the risk that results of operations and cash flows may be adversely impacted by exchange rate fluctuations. The Foundation from time to time may purchase forward contracts to mitigate its currency risk. At year-end, the Foundation did not hold any forward contracts.

9. Commitments

As at March 31, 2018, the Foundation was committed under operating leases for the use of equipment. The minimum annual lease payments for the next four years are as follows:

2019	\$ 2,719
2020	\$ 2,719
2021	\$ 2,719
2022	\$ 1,585
	<u>\$ 9,742</u>