
Financial statements of Southlake Regional Health Centre Foundation

March 31, 2020

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Independent Auditor's Report

To the Members of
Southlake Regional Health Centre Foundation

Opinion

We have audited the financial statements of the Southlake Regional Health Centre Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 11, 2020

Southlake Regional Health Centre Foundation

Statement of financial position


As at March 31, 2020

	Notes	2020 \$	2019 \$
Assets			
Current assets			
Cash		858,676	1,028,581
Accounts receivable		323,772	146,281
Investments	3(a)	30,409,960	28,881,585
Restricted cash	15	50,000	50,000
		31,642,408	30,106,447
Capital assets, net	4	44,148	37,597
		31,686,556	30,144,044
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		254,817	188,183
Deferred revenue		71,748	281,410
Due to Southlake Regional Health Centre	10	694,248	2,109,191
		1,020,813	2,578,784
Fund balances			
General	5	3,209,482	347,286
Restricted	6	4,193,058	1,039,844
Endowment	7	23,263,203	26,178,130
		30,665,743	27,565,260
		31,686,556	30,144,044

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

Approved by the Board


_____, Director


_____, Director

Southlake Regional Health Centre Foundation
Statement of operations and changes in fund balances
Year ended March 31, 2020

	General Fund		Restricted Fund		Endowment Fund		Total
	2020	2019	2020	2019	2020	2019	2019
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Donations and fundraising	7,317,427	3,989,124	6,862,845	3,391,585	31,412	6,107	7,386,816
Residential Hospice "love lives here" Campaign	—	—	418,300	613,445	—	—	613,445
Diagnostic Imaging "Images for Life" Campaign	—	—	1,327	101,812	—	—	101,812
Regional Cancer Centre "Count on Me" Campaign	—	—	—	834	—	—	834
Investment income	7,317,427	3,989,124	7,282,472	4,107,676	31,412	6,107	8,102,907
	249,601	204,274	718,304	644,191	(2,946,339)	(414)	848,051
	7,567,028	4,193,398	8,000,776	4,751,867	(2,914,927)	5,693	8,950,958
Expenses							
Fundraising and administrative	3,031,680	2,983,917	1,081,820	599,256	—	—	3,583,173
Excess of revenue over expenses before grants	4,535,348	1,209,481	6,918,956	4,152,611	(2,914,927)	5,693	5,367,785
Grants to Southlake Regional Health Centre	606,340	911,661	4,832,554	3,130,678	—	—	4,042,339
Grants to others	—	—	—	—	—	—	—
Total grants	606,340	911,661	4,832,554	3,130,678	—	—	4,042,339
Excess (deficiency) of revenue over expenses for the year	3,929,008	297,820	2,086,402	1,021,933	(2,914,927)	5,693	1,325,446
Fund balances, beginning of the year	347,286	49,466	1,039,844	17,911	26,178,130	26,172,437	26,239,814
Interfund transfers	(1,066,812)	—	1,066,812	—	—	—	—
Fund balances, end of year	3,209,482	347,286	4,193,058	1,039,844	23,263,203	26,178,130	27,565,260

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

Southlake Regional Health Centre Foundation

Statement of cash flows

Year ended March 31, 2020

	Notes	2020 \$	2019 \$
Operating activities			
Excess of revenue over expenses for the year		3,100,483	1,325,446
Items not affecting cash			
Net realized and unrealized loss (gain) included in investment income (Note 3b)	3(b)	2,824,442	(215,661)
Amortization of capital assets		22,148	45,203
Non-operating item-contributions restricted for endowment		(31,412)	(6,107)
		5,915,661	1,148,881
Change in non-cash operating items			
(Increase) decrease in accounts receivable		(177,491)	23,482
Increase (decrease) in accounts payable and accrued liabilities		66,634	(40,070)
(Decrease) increase in deferred revenue		(209,662)	109,098
(Decrease) in due to Southlake Regional Health Centre		(1,414,943)	(274,042)
		4,180,199	967,349
Financing activity			
Contributions restricted for endowment		31,412	6,107
Investing activities			
Purchase of capital assets		(28,699)	(11,204)
Net change in investments		(4,352,817)	(960,984)
		(4,381,516)	(972,188)
(Decrease) increase in cash		(169,905)	1,268
Cash, beginning of year		1,028,581	1,027,313
Cash, end of year		858,676	1,028,581

The accompanying notes are an integral part of the financial statements

1. Purpose and organization

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

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

2. Significant accounting policies

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

Financial instruments

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

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

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

Capital assets

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

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

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

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2020

2. Significant accounting policies (continued)

Fund accounting

The financial statements include the following funds:

- The General 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.

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

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

Investment income

Investment income is accrued as it is earned. Investment income includes dividend and interest income, and realized and unrealized gains and losses net of investment management fees and foundation fees. The dividend and interest income net of foundation fees are allocated to the restricted and general funds. The realized and unrealized gains and losses net of investment management fees remain in the endowment fund.

Contributed goods and services

Donors contribute gifts in kind for use in special fundraising events as well as for the use of qualified donees. These 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.

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2020

2. Significant accounting policies (continued)

Use of estimates

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

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:

	2020 Fair value \$	2019 Fair value \$
Short term investments (pooled funds)	2,548,458	3,341,832
Bonds	13,490,119	9,457,352
Canadian equities	4,272,574	5,758,115
Global equities	10,098,809	10,324,286
	30,409,960	28,881,585

(b) Investment income consists of the following:

	2020 \$	2019 \$
Realized net gains	22,770	24,516
Unrealized net (losses) gains	(2,847,212)	191,145
	(2,824,442)	215,661
Interest and other	990,150	772,060
	(1,834,292)	987,721
Investment counselling and safekeeping fees	(144,142)	(139,670)
Investment income	(1,978,434)	848,051

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

4. Capital assets

	Cost \$	Accumulated amortization \$	2020 Net book value \$	2019 Net book value \$
Furniture and equipment	261,963	237,350	24,613	6,698
Computer equipment	272,327	252,792	19,535	30,899
	534,290	490,142	44,148	37,597

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2020

5. General Fund

The General Fund consists of the following:

	Excess	Investments in	2020	2019
	\$	capital assets	Total	Total
	\$	\$	\$	\$
Balance, beginning of year	309,689	37,597	347,286	49,466
Excess of revenue over expenses after grants	3,929,008	—	3,929,008	297,820
Interfund transfers	(1,066,812)	—	(1,066,812)	—
Investment in capital assets	(28,699)	28,699	—	—
Amortization of capital assets	22,148	(22,148)	—	—
Balance, end of year	3,165,334	44,148	3,209,482	347,286

6. Restricted Fund

The Restricted Fund consists of the following externally restricted amounts:

	2020	2019
	\$	\$
"Count on Me" Campaign	—	213
"Images for Life" DI Campaign	23	221
"love lives here" Hospice Campaign Village	(496,198)	(1,918,810)
Equipment and Program Fund	6,735	5,142
Balance, end of year	4,682,498	2,953,078
	4,193,058	1,039,844

At March 31, 2020, the Foundation has accrued costs of \$496,198 (\$1,918,810 in 2019) related to the "love lives here" Hospice Campaign. This amount is a payable to the Hospital (Note 10) and is being settled with the restricted funds as the "love lives here" Hospice Campaign pledges are collected.

7. Endowment Fund

The Endowment Fund consists of the following:

	2020	2019
	\$	\$
Funds externally restricted for endowment purposes		
Income must be used for a restricted purpose	7,541,778	8,494,704
Income is unrestricted	2,710,494	3,025,807
Restricted for endowment purposes by the Board of Directors*		
Income must be used for a restricted purpose	2,436,027	2,741,570
Income is unrestricted	10,574,904	11,916,049
	23,263,203	26,178,130

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

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2020

8. Special events revenues and expenses

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

	Run/Walk for Southlake	Gala	Golf Tournament	2020 Total
	\$	\$	\$	\$
Revenues	431,528	1,280,816	292,320	2,004,664
Expenses	(206,402)	(384,295)	(72,009)	(662,706)
	225,126	896,521	220,311	1,341,958

	Run/Walk for Southlake	Gala	Golf Tournament	2019 Total
	\$	\$	\$	\$
Revenues	332,883	2,125	365,808	700,816
Expenses	(118,963)	(45,321)	(89,897)	(254,181)
	213,920	(43,196)	275,911	446,635

Included in special event revenues and expenses are donor contributed gifts in kind revenue of \$135,438 (\$27,834 in 2019) and gifts in kind expense of \$130,188 (\$33,084 in 2019).

9. Grants to Southlake Regional Health Centre

The Board of Directors has authorized grants to Southlake Regional Health Centre of \$5,438,894 (\$4,042,339 in 2019) to be used for the purposes specified at the time of transfer. The Board also authorized grants to other qualified donees of nil (nil in 2019).

10. Related parties

Amounts due to the Hospital include transfers to reimburse the Hospital for amounts they paid on behalf of the Foundation for payroll of \$196,350 (\$178,872 in 2019), phones and postage \$1,547 (\$2,124 in 2019), as well as grants of \$496,351 (\$1,928,195 in 2019).

From time to time, the Foundation may secure the services of a business in which a Director may have an interest. In such cases, the Director will declare a conflict of interest and abstain from voting on the engagement and on any related discussions or decisions to avoid a conflict of interest.

Currently, the Foundation is engaged with three organizations in which a previous Director, who concluded their term in June 2019, has a significant interest. In fiscal 2020, the total payments to these organizations were \$7,126 (\$2,932 in 2019). Services rendered were for advertisement services.

Southlake Regional Health Centre Foundation

Notes to the financial statements

March 31, 2020

11. Commitments

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

	<u>\$</u>
2021	90,000
2022	90,000
2023	<u>37,500</u>
	<u>217,500</u>

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 was for a term of 5 years, with two additional 5-year option periods. The first renewal occurred in 2017 and at this time the option for a second renewal was removed. The lease concludes on August 31, 2022.

Future annual systems and events payments under contract are as follows:

	<u>\$</u>
2021	57,182
2022	<u>18,644</u>
	<u>75,826</u>

The Foundation uses systems to maintain a relationship management database, execute on events and correspondence, and to maintain their general and sub-ledgers.

In addition, in order to run special events, the Foundation enters into multi-year agreements for logistics and contracts to special events.

12. Capital management

General Fund

The General 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 minimum balance and investment policies.

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, 2020

12. 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 and General Funds when earned. Grants are made from the Restricted and General Funds 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, 2020 on a basis consistent 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 \$169,359 (\$164,307 in 2019) 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, 2020 (nil in 2019).

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.

15. Guarantees and contingent liabilities (continued)

Letter of credit

The Foundation has an irrevocable Letter of Credit in the amount of \$50,000 (\$50,000 in 2019) issued in respect of charitable lotteries conducted by the Foundation. The Letter of Credit is secured by cash in the amount of \$50,000 which has been set aside and is restricted in use. As of March 31, 2020, the Letter of Credit has not been drawn upon (nil in 2019).

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.

17. Significant event

The COVID-19 global pandemic has driven unrealized losses within the investment portfolio. The Foundation's practice is to retain all realized and unrealized gains and losses in the endowment fund in an effort to preserve capital. During this period, as is always the case, the Foundation will distribute only the interest and dividends earned on investments, net their fees, to the restricted and general funds.

Social-isolation and distancing will reduce the ability to fundraise through cultivation and special events until society accepts these as safe. The Foundation has a balanced fundraising approach that includes non-event revenue streams and will work to mitigate the losses from events by focusing fundraising efforts in these areas.

