

William Osler Health System Foundation

Financial Statements
March 31, 2018



June 27, 2018

Independent Auditor's Report

To the Members of the Audit Committee of the Board of Directors of William Osler Health System Foundation

We have audited the accompanying financial statements of William Osler Health System Foundation, which comprise the statement of financial position as at March 31, 2018 and the statements of revenues and expenditures and cash flows for the year then ended, and the related notes, which comprise 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 is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP
400 Bradwick Drive, Suite 100, Concord, Ontario, Canada L4K 5V9
T: +1 905 326 6800, F: +1 905 326 5339*



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of William Osler Health System 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

William Osler Health System Foundation

Statement of Financial Position

As at March 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash	14,897,018	21,894,054
Short-term deposits (note 4)	8,000,000	-
Amounts receivable	164,155	241,233
Prepaid expenses and other assets	51,039	29,369
	<u>23,112,212</u>	<u>22,164,656</u>
Investments (note 5)	12,764,472	12,418,182
Property and equipment (note 6)	73,168	12,903
	<u>35,949,852</u>	<u>34,595,741</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	211,173	115,863
Due to William Osler Health System (note 3)	196,304	204,399
Deferred revenue	139,015	8,895
	<u>546,492</u>	<u>329,157</u>
Fund Balances		
Unrestricted	19,378,610	18,160,470
Externally restricted	15,971,716	16,053,720
Endowment	53,034	52,394
	<u>35,403,360</u>	<u>34,266,584</u>
	<u>35,949,852</u>	<u>34,595,741</u>

Approved by the Board of Directors



Director



Director

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

William Osler Health System Foundation

Statement of Revenues and Expenditures

For the year ended March 31, 2018

	Unrestricted		Externally restricted		Endowment		Total	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Revenues								
Fundraising	7,059,535	8,792,734	2,248,703	12,246,381	-	-	9,308,238	21,039,115
William Osler Health System Volunteer Association (note 3)	-	-	225,000	210,973	-	-	225,000	210,973
Investment income	639,645	531,920	-	-	640	442	640,285	532,362
	7,699,180	9,324,654	2,473,703	12,457,354	640	442	10,173,523	21,782,450
Expenditures								
Fundraising	3,069,634	3,204,203	89,691	322,399	-	-	3,159,325	3,526,602
Administrative	805,533	662,988	73,384	100,145	-	-	878,917	763,133
Investment management fees	48,090	46,935	-	-	-	-	48,090	46,935
Amortization of property and equipment	17,199	19,591	-	-	-	-	17,199	19,591
	3,940,456	3,933,717	163,075	422,544	-	-	4,103,531	4,356,261
Excess of revenues over expenditures for the year before the following	3,758,724	5,390,937	2,310,628	12,034,810	640	442	6,069,992	17,426,189
Change in fair value of investments	(18,344)	430,182	-	-	-	-	(18,344)	430,182
Donations to William Osler Health System (note 3)	(2,522,240)	(1,181,138)	(2,392,632)	(5,750,282)	-	-	(4,914,872)	(6,931,420)
Excess (deficiency) of revenues over expenditures for the year	1,218,140	4,639,981	(82,004)	6,284,528	640	442	1,136,776	10,924,951
Fund balances - Beginning of year	18,160,470	13,520,489	16,053,720	9,769,192	52,394	51,952	34,266,584	23,341,633
Fund balances - End of year	19,378,610	18,160,470	15,971,716	16,053,720	53,034	52,394	35,403,360	34,266,584

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

William Osler Health System Foundation

Statement of Cash Flows

For the year ended March 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenditures for the year	1,136,776	10,924,951
Items not affecting cash		
Change in fair value of investments	18,344	(430,182)
Amortization of property and equipment	17,199	19,591
	<hr/>	<hr/>
	1,172,319	10,514,360
Changes in non-cash working capital items		
Amounts receivable	77,078	(104,583)
Prepaid and other expenses	(21,670)	23,865
Accounts payable and accrued liabilities	95,310	(43,749)
Due to William Osler Health System	(8,095)	7,051
Deferred revenue	130,120	(135,822)
	<hr/>	<hr/>
	1,445,062	10,261,122
Investing activities		
Purchase of property and equipment	(77,464)	(1,159)
Change in investments	(364,634)	(408,098)
Redemption (purchase) of short-term deposit	(8,000,000)	5,000,000
	<hr/>	<hr/>
	(8,442,098)	4,590,743
Increase (decrease) in cash during the year	(6,997,036)	14,851,865
Cash - Beginning of year	<hr/>	<hr/>
	21,894,054	7,042,189
Cash - End of year	<hr/>	<hr/>
	14,897,018	21,894,054

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

William Osler Health System Foundation

Notes to Financial Statements

March 31, 2018

1 Purpose of the organization

William Osler Health System Foundation (the Foundation) is incorporated under the Ontario Corporations Act as a not-for-profit organization. The Foundation is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met. In the opinion of management, these requirements have been met. The Foundation's registered charitable number is 12996 5133 RR0001.

The Foundation raises funds to support capital expenditures, education, research and other special projects for the benefit of William Osler Health System (the Health System) in the communities of Etobicoke and Brampton.

2 Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant accounting policies are as follows.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The financial statements separately disclose the activities of the funds maintained by the Foundation. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors. For financial reporting purposes, the accounts have been classified into the following funds:

- Unrestricted Fund

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

- Externally Restricted Fund

The Externally Restricted Fund includes those funds where resources are to be used for an identified purpose as specified by the donor, as stipulated by the fundraising appeal or as determined by the Board of Directors.

- Endowment Fund

The Endowment Fund includes those funds where either donor or internal restrictions require the principal to be maintained by the Foundation for a specified period of time.

Transfers between the funds are made when it is considered appropriate and authorized by the Board of Directors. To meet these objectives of financial reporting and stewardship of assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. Interfund transfers, if any, are recorded in the statement of revenues and expenditures.

William Osler Health System Foundation

Notes to Financial Statements

March 31, 2018

Revenue recognition

Contributions are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Amounts received relating to fundraising events to be held after the fiscal year-end are deferred and recognized on completion of the specific fundraising event. Contributions restricted to a program or specific project as directed by the donor are recognized as revenue in the Externally Restricted Fund. Donor restricted contributions for endowment purposes are recognized as revenue in the Endowment Fund. Unrestricted contributions are recognized as revenue in the Unrestricted Fund. Investment income is recognized as revenue in the Unrestricted Fund unless a donor has stipulated a restriction over the use of the investment income.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Computer hardware	3 to 5 years
Office equipment	5 years

Deferred revenue

Deferred revenue represents deposits received in advance for the subsequent year's fundraising events. These amounts are recognized as revenue in the period in which the event occurs, together with any associated costs.

Contributed materials and services

A number of volunteers contribute their services to the Foundation each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or otherwise disclosed in the financial statement notes. Contributed materials are recorded, when received, at fair value.

Gifts of securities

Gifts of securities are valued at fair value on the day the Foundation, or the Foundation's investment broker, receives the securities. Any gains or losses arising from timing differences from the receipt and subsequent sale of the securities are recognized by the Foundation in the statement of revenues and expenditures.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Investments are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized on a straight-line basis.

William Osler Health System Foundation

Notes to Financial Statements

March 31, 2018

The Foundation measures its financial instruments as follows:

Cash	fair value
Short-term deposit	fair value
Investments	fair value
Accounts receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost
Due to William Osler Health System	amortized cost

Financial assets are tested for impairment at the end of each reporting period when there are indicators the assets may be impaired.

Allocation of expenses

The Foundation engages in fundraising initiatives to support capital expenditures, education, research and other special projects for the benefit of the Health System. The cost of each fundraising initiative includes the cost of personnel, services and other expenses that are directly related to undertaking the fundraising initiative. The Foundation also incurs a number of personnel related costs common to the administration of each of its ongoing fundraising initiatives. The Foundation allocates these personnel costs based on an estimate of time spent by the personnel on the fundraising initiative. The allocation percentages are reviewed by management and are applied consistently on an annual basis.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect revenues and expenditures during the reporting period, in addition to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

3 Related party transactions

The Foundation is related to the following entities:

- William Osler Health System Volunteer Association
- William Osler Health System

These organizations either contribute funds to support the Health System through the Foundation or are the recipients of funds granted by the Foundation. The Foundation does not exercise control or significant influence over these organizations and consequently these financial statements do not include the assets, liabilities and activities of those organizations. The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

William Osler Health System Foundation

Notes to Financial Statements

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- During the year, William Osler Health System Volunteer Association contributed \$225,000 (2017 - \$210,973) to the Foundation.
- The amount due to the Health System of \$196,304 (2017 - \$204,399) represents amounts to be reimbursed for expenses paid by the Health System on behalf of the Foundation.
- During the year, the Foundation donated \$4,914,872 (2017 - \$6,931,420) to the Health System for the purpose of supporting purchases of equipment and for ongoing education and research programs.
- The Health System provides certain minor administrative services such as payroll processing and purchasing to the Foundation at no charge.

4 Short-term deposits

Short-term deposits consist of \$8,000,000 in Guaranteed Investment Certificates (GIC), that matured on April 26, 2018 and have an average interest rate of 1.03%.

Subsequent to year-end, the Foundation acquired a GIC in the amount of \$5,000,000, with a yield of 1.90%, maturing April 29, 2019.

5 Investments

The investments are held via pooled funds and, as described in note 2, are recorded at fair value. The investments consist of the following:

	Fair value	
	2018	2017
	\$	\$
Money market	685,882	679,464
Bonds	8,778,181	8,580,465
Canadian equities	1,560,879	1,549,414
International and US equities	1,739,530	1,608,839
	<u>12,764,472</u>	<u>12,418,182</u>

6 Property and equipment

	2018		2017	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Computer hardware	130,515	89,555	40,960	11,482
Office equipment	38,027	5,819	32,208	1,421
	<u>168,542</u>	<u>95,374</u>	<u>73,168</u>	<u>12,903</u>

William Osler Health System Foundation

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7 Expense allocation

Fundraising and administrative expenses include employee personnel costs. The majority of the personnel costs are categorized as either fundraising or administrative based on the duties of the Foundation personnel. Certain personnel, however, perform both fundraising and administrative functions. As such, management has allocated certain personnel costs of \$589,765 (2017 - \$583,506) as follows: \$420,839 (2017 - \$441,579) to fundraising expenses; and \$168,926 (2017 - \$141,927) to administrative expenses.

8 Financial risk management

Market risk

The Foundation is exposed to market risk with regard to its investments. To manage this risk, the Foundation has an investment policy, which includes a target mix of investment types and concentration limits designed to achieve return results within risk tolerances as approved by the Finance Committee.

Currency risk

Currency risk is the risk 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.

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 maturities.

Credit risk

The Foundation is exposed to credit risk in connection with its short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. To manage this risk, the Foundation has an investment policy, which includes a target mix of investment types and concentration limits designed to achieve the optimum return within reasonable risk tolerances. In addition, the amounts receivable include Canadian harmonized sales tax, which is recoverable from the Canada Revenue Agency, and the risk is considered to be minimal given that the amount is due from the Canadian government.