

Lakeridge Health Foundation

Financial Statements
March 31, 2020



Independent auditor's report

To the Board of Lakeridge Health Foundation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lakeridge Health Foundation (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.

What we have audited

The Foundation's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations for the year then ended;
- the statement of changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215



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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 11, 2020

Lakeridge Health Foundation

Statement of Financial Position

As at March 31, 2020

(in thousands of dollars)

				2020	2019
	Unrestricted Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$	Total \$
Assets					
Current assets					
Cash	8,399	-	-	8,399	7,092
Accounts receivable	323	-	-	323	269
Prepaid expenses	30	-	-	30	52
Due from Unrestricted Fund	-	20,856	-	20,856	18,095
	8,752	20,856	-	29,608	25,508
Investments (note 3)	34,612	3,433	72	38,117	41,377
Capital assets (note 4)	4,521	-	-	4,521	4,505
Other long-term assets	-	56	-	56	-
	47,885	24,345	72	72,302	71,390
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	75	-	-	75	95
Due to Lakeridge Health (note 6)	27	-	-	27	40
Due to Restricted Fund	20,856	-	-	20,856	18,095
Deferred donations	17	74	-	91	75
	20,975	74	-	21,049	18,305
Fund Balances					
Externally restricted (notes 2 and 5)	-	24,155	72	24,227	21,564
Internally restricted (notes 2 and 5)	22,014	116	-	22,130	22,148
Unrestricted	4,896	-	-	4,896	9,373
	26,910	24,271	72	51,253	53,085
	47,885	24,345	72	72,302	71,390

Approved by the Board of Directors



Director



Director

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

Lakeridge Health Foundation

Statement of Operations

For the year ended March 31, 2020

(in thousands of dollars)

				2020	2019
	Unrestricted Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$	Total \$
Income					
Donations received					
Cash	572	3,521	-	4,093	4,606
In-kind	-	55	-	55	36
Change in fair value of investments	(2,979)	(104)	(7)	(3,090)	1,118
Rental income	256	-	-	256	256
	<u>(2,151)</u>	<u>3,472</u>	<u>(7)</u>	<u>1,314</u>	<u>6,016</u>
Expenses					
Administrative	1,332	-	-	1,332	897
Fundraising	814	208	-	1,022	1,054
Investment	178	1	-	179	172
	<u>2,324</u>	<u>209</u>	<u>-</u>	<u>2,533</u>	<u>2,123</u>
Excess (deficiency) of income over expenses before undernoted	<u>(4,475)</u>	<u>3,263</u>	<u>(7)</u>	<u>(1,219)</u>	<u>3,893</u>
Writedown of capital assets	-	-	-	-	(73)
Grants to Lakeridge Health	<u>(2)</u>	<u>(611)</u>	<u>-</u>	<u>(613)</u>	<u>(1,156)</u>
Excess (deficiency) of income over expenses for the year	<u>(4,477)</u>	<u>2,652</u>	<u>(7)</u>	<u>(1,832)</u>	<u>2,664</u>

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

Lakeridge Health Foundation

Statement of Changes in Fund Balances

For the year ended March 31, 2020

(in thousands of dollars)

	Unrestricted Fund			Restricted Fund			Endowment Fund	Total	Total
	Internally restricted \$	Unrestricted \$	Total \$	Internally restricted \$	Restricted \$	Total \$	\$	\$	\$
Balance – Beginning of year	22,022	9,373	31,395	126	21,485	21,611	79	53,085	49,685
Interfund transfers	(8)	-	(8)	(10)	18	8	-	-	-
Transfer of net assets from Lakeridge Health Whitby Foundation	-	-	-	-	-	-	-	-	736
Excess (deficiency) of income over expenses for the year	-	(4,477)	(4,477)	-	2,652	2,652	(7)	(1,832)	2,664
Balance – End of year	22,014	4,896	26,910	116	24,155	24,271	72	51,253	53,085

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

Lakeridge Health Foundation

Statement of Cash Flows

For the year ended March 31, 2020

(in thousands of dollars)

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess of income over expenses for the year	(1,832)	2,664
Cash contributions from LHWF	-	275
Items not affecting cash		
Change in fair value of investments	5,273	389
Reinvested investment income	(2,013)	(1,381)
Amortization	42	64
Disposal of capital assets	-	73
Changes in non-cash working capital		
Accounts receivable	(54)	(82)
Prepaid expenses	22	(43)
Other long-term assets	(56)	-
Accounts payable and accrued liabilities	(19)	(197)
Due from/to Lakeridge Health	(13)	(1,671)
Deferred donations	16	21
	<hr/> 1,366	<hr/> 112
Investing activities		
Acquisition of capital assets	(59)	(184)
Purchase of investments	-	(100)
	<hr/> (59)	<hr/> (284)
Change in cash during the year	1,307	(172)
Cash – Beginning of year	<hr/> 7,092	<hr/> 7,264
Cash – End of year	<hr/> <hr/> 8,399	<hr/> <hr/> 7,092
Supplemental information		
Non-cash items		
Transfer of investments from LHWF	-	462

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

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

1 Status and nature of activities

Lakeridge Health Foundation (the Foundation) is a registered charity under the Income Tax Act (Canada) which raises and invests funds for the benefit of Lakeridge Health in respect of activities related to health and/or related social and educational purposes of the community. As a registered charity, the Foundation is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Canadian Accounting Standards Board.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Unrestricted Fund accounts for the non-restricted donations and the Foundation's general operations. The internally restricted amount within the Unrestricted Fund is used to guarantee the parking lot financing with Lakeridge Health. Other internally restricted amounts within the Unrestricted Fund have been restricted by the Board of Directors to ensure the long-term viability of the Foundation.

The Restricted Fund and Endowment Fund account for externally restricted contributions as set out in note 5 to the financial statements.

Revenue recognition

Revenue from donations and fundraising activities is recorded when received. Non-restricted contributions are recognized as revenue of the Unrestricted Fund. Donor restricted contributions are recorded as revenue of the appropriate Restricted Fund or the Endowment Fund. Other contributions, including gifts in-kind, are recognized as revenue when received.

Investments and investment income

Investments are recorded at quoted fair values. The fair values of the units in pooled funds are based on the quoted fair values of the securities held by the pooled funds and are provided by the administrators of the pooled funds.

Investment income and unrealized gain (loss) are allocated between the Unrestricted Fund, Restricted Fund and Endowment Fund based on the ending fund balances.

Cash

Cash comprises cash on hand with a major financial institution.

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

Deferred donations and prepaid expenses

Deferred donations represent donations received in advance for subsequent years' fundraising events. These amounts are recognized as revenue in the year in which the event occurs, together with any associated costs.

Costs directly related to future fundraising events are presented as prepaid expenses when the Foundation can reliably demonstrate the event will take place in a future period. Once the event is held, the related costs are expensed in the year in which the event occurs.

Financial instruments and risk management

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification below.

Cash is recorded at fair value.

Investments are recorded at fair value. Changes in the value of the portfolio are reflected in the statement of operations. Transaction costs related to financial assets are expensed as incurred.

Accounts receivable, accounts payable and accrued liabilities and due to Lakeridge Health are measured at amortized cost, which approximates fair value due to the short-term maturity of the instrument.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Renovation costs to maintain normal operating efficiency are expensed as incurred. Maintenance, repairs and minor replacements are also expensed as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets at the following rates:

Office improvements	10 years
Furniture and fixtures	5 years

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

3 Investments

Investments consist of the following amounts held in units of various pooled funds and comprise the following:

	2020 \$	2019 \$
Pooled funds		
Cash and equivalents	1,969	1,753
Fixed income	15,223	15,953
Equities	20,925	23,671
	<hr/> 38,117	<hr/> 41,377
Aggregate cost	<hr/> 43,390	<hr/> 41,766

4 Capital assets

	<hr/> 2020		<hr/> 2019	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	4,292	-	4,292	4,292
Office improvements	343	164	179	181
Furniture and fixtures	169	119	50	32
	<hr/> 4,804	<hr/> 283	<hr/> 4,521	<hr/> 4,505

Amortization expense for 2020 totalled \$42 (2019 – \$64).

5 Restricted funds

The Foundation holds all funds received or to be received in the Restricted Fund for use by Lakeridge Health for the redevelopment and expansion of existing and future buildings. The Foundation maintains the funds and will pay to Lakeridge Health, from time to time, such amounts as are requested in writing for such purposes with appropriate supporting documentation.

The Foundation also holds funds received for Lakeridge Health to be used for medical equipment or other capital equipment, or both, research and education, provided that any such monies, property and pledges designated for a specific purpose shall be paid to Lakeridge Health for such purposes. The Foundation maintains the funds and will pay Lakeridge Health, from time to time, such amounts as are requested in writing for such purposes with appropriate supporting documentation.

Lakeridge Health Foundation

Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

6 Related party transactions

The Foundation has utilized office space in Lakeridge Health's Oshawa and Whitby sites since June 2010. Lakeridge Health charges a nominal fee of one dollar annually for the use of this space. In addition, Lakeridge Health provides a number of services to the Foundation, including payroll, human resources and some financial processes. Lakeridge Health does not charge the Foundation a fee for these services.

In 2016, the Foundation purchased land adjacent to Lakeridge Health and subsequently leased the land to Lakeridge Health for a 20-year period at an annual lease rate that escalates from \$200 to \$349 over the period of the lease. Lakeridge Health intends to use the land to provide additional parking services to its patients. Given the terms of the lease, the Foundation has treated the lease as an operating lease in these financial statements.

7 Financial risk management

The Foundation is subject to market risks with respect to its financial instruments. The risks are managed and monitored in accordance with the Foundation's investment policy.

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. To manage this risk, the Foundation invests in pooled funds representing a mix of local and international securities.

8 COVID-19 – impact

The outbreak of the novel strain of coronavirus, specifically identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. On March 17, 2020, the Province of Ontario declared a state of emergency. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. The COVID-19 outbreak may negatively impact the valuation of portfolio investments as well the amount of the Foundation's revenue in the event that planned fundraising events are cancelled; however, the duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Foundation in future periods.