

Financial Statements of

**SCARBOROUGH HEALTH
NETWORK FOUNDATION**

And Independent Auditors' Report thereon

Year ended March 31, 2022



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Scarborough Health Network Foundation

Opinion

We have audited the financial statements of Scarborough Health Network Foundation (the Foundation), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of revenue and expenses 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 notes to the financial statements, including a summary of significant accounting policies

(Hereinafter 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, 2022, and its results of 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. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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 opinion.

Other Matter - Comparative Information

The financial statements for the year ended March 31, 2021 were audited by another auditor who expressed an unqualified opinion on those financial statements on June 24, 2021.



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.

Auditors' 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 auditors' 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 the 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.



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- 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 auditors' 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 auditors' 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 28, 2022

SCARBOROUGH HEALTH NETWORK FOUNDATION

Statement of Financial Position

March 31, 2022, with comparative information for 2021

	General Fund	Restricted Fund	Endowment Fund	2022 Total	2021 Total
Assets					
Current assets:					
Cash	\$ 2,417,294	\$ 13,787,124	\$ 14,736	\$ 16,219,154	\$ 7,389,725
Accounts receivable	144,209	–	–	144,209	48,384
Prepaid expenses	11,359	–	–	11,359	35,782
	2,572,862	13,787,124	14,736	16,374,722	7,473,891
Investments (note 2)	–	7,811,454	1,120,953	8,932,407	8,529,687
Charitable remainder trust receivable (note 3)	997,771	–	–	997,771	934,158
Capital assets (note 4)	87,683	–	–	87,683	119,793
	\$ 3,658,316	\$ 21,598,578	\$ 1,135,689	\$ 26,392,583	\$ 17,057,529

Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,081,554	\$ –	\$ –	\$ 1,081,554	\$ 481,329
Due to Scarborough Health Network (note 6)	73,072	–	–	73,072	66,624
Deferred revenue	13,000	–	–	13,000	42,136
	1,167,626	–	–	1,167,626	590,089
Fund balances:					
General Fund:					
Unrestricted	2,403,007	–	–	2,403,007	1,231,223
Invested in capital assets	87,683	–	–	87,683	119,793
	2,490,690	–	–	2,490,690	1,351,016
Restricted Fund	–	21,598,578	–	21,598,578	14,015,354
Endowment Fund	–	–	1,135,689	1,135,689	1,101,070
	2,490,690	21,598,578	1,135,689	25,224,957	16,467,440
	\$ 3,658,316	\$ 21,598,578	\$ 1,135,689	\$ 26,392,583	\$ 17,057,529

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

SCARBOROUGH HEALTH NETWORK FOUNDATION

Statement of Revenue and Expenses

Year ended March 31, 2022, with comparative information for 2021

	General Fund	Restricted Fund	Endowment Fund	2022 Total	2021 Total
Revenue:					
Fundraising:					
Annual programs	\$ 1,295,509	\$ 283,509	\$ 500	\$ 1,579,518	\$ 1,477,459
Community development	1,422,957	326,637	–	1,749,594	1,222,613
Gift planning	1,125,367	10,216,811	–	11,342,178	9,211,015
	3,843,833	10,826,957	500	14,671,290	11,911,087
Net investment income (note 2)	337,997	–	34,119	372,116	1,475,862
Government grant	–	–	–	–	25,000
	4,181,830	10,826,957	34,619	15,043,406	13,411,949
Expenses:					
Fundraising programs	784,167	1,533,875	–	2,318,042	693,485
Salaries and benefits	1,921,513	1,346,961	–	3,268,474	2,642,573
Administrative	375,285	5,822	–	381,107	404,819
	3,080,965	2,886,658	–	5,967,623	3,740,877
Excess of revenue over expenses before grants	1,100,865	7,940,299	34,619	9,075,783	9,671,072
Grants (note 7):					
Scarborough Health Network	87,474	185,792	–	273,266	4,536,192
Other organizations	–	45,000	–	45,000	45,000
	87,474	230,792	–	318,266	4,581,192
Excess of revenue over expenses	\$ 1,013,391	\$ 7,709,507	\$ 34,619	\$ 8,757,517	\$ 5,089,880

See accompanying notes to financial statements.

SCARBOROUGH HEALTH NETWORK FOUNDATION

Statement of Changes in Fund Balances

Year ended March 31, 2022, with comparative information for 2021

	General Fund		Restricted Fund	Endowment Fund	2022 Total	2021 Total
	Unrestricted	Invested in capital assets				
Fund balances, beginning of year	\$ 1,231,223	\$ 119,793	\$ 14,015,354	\$ 1,101,070	\$ 16,467,440	\$ 11,377,560
Excess of revenue over expenses	1,045,501	(32,110)	7,709,507	34,619	8,757,517	5,089,880
Interfund transfers (note 8)	126,283	-	(126,283)	-	-	-
Fund balances, end of year	\$ 2,403,007	\$ 87,683	\$ 21,598,578	\$ 1,135,689	\$ 25,224,957	\$ 16,467,440

See accompanying notes to financial statements.

SCARBOROUGH HEALTH NETWORK FOUNDATION

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 8,757,517	\$ 5,089,880
Items not involving cash:		
Amortization of capital assets	32,110	27,197
Unrealized loss (gain) on investments	61,034	(676,785)
Gain on disposal of investments	(114,472)	(357,874)
Change in value of charitable remainder trust	(63,613)	(233,232)
Change in non-cash operating working capital:		
Accounts receivable	(95,825)	26,504
Prepaid expenses	24,423	9,560
Due to Scarborough Health Network	6,448	6,560
Accounts payable and accrued liabilities	600,225	45,064
Deferred revenue	(29,136)	(9,944)
	9,178,711	3,926,930
Investing activities:		
Net purchase of capital assets	—	(35,074)
Net purchase of investments	(349,282)	(60,067)
	(349,282)	(95,141)
Increase in cash	8,829,429	3,831,789
Cash, beginning of year	7,389,725	3,557,936
Cash, end of year	\$ 16,219,154	\$ 7,389,725

See accompanying notes to financial statements.

SCARBOROUGH HEALTH NETWORK FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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

While the Foundation is a separate legal entity from Scarborough Health Network (the "Hospital"), the Foundation fundraises additional financial resources for the Hospital and enhances 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.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook. The significant accounting policies are summarized below:

(a) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

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.
- Endowment Fund - includes those funds where resources are to be maintained permanently as specified by the donors.

SCARBOROUGH HEALTH NETWORK FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(b) 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 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. Restricted investment income earned on Endowment Fund resources is recognized as revenue of the Endowment 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.

(c) Contributed services:

Volunteers contribute a significant amount of their time each year. The fair value of these contributed services is not readily determinable and as such is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

(d) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the related capital asset. The amortization periods are as follows:

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

SCARBOROUGH HEALTH NETWORK FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Management has elected to carry its investments at fair value.

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 using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Investments in equity instruments that are quoted in an active market are recorded at fair value. The Foundation has elected to carry investments in corporate bonds, government bonds and treasury bills at fair value. Pooled fund investments are valued at the unit values supplied by the fund administration and represent the portfolio's proportionate share of underlying net assets at fair values determined using closing market prices. Changes in fair value are recorded in the statement of revenue and expenses.

SCARBOROUGH HEALTH NETWORK FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(f) 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 disclosure of contingent assets and liabilities 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.

2. Investments:

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

	2022		2021	
	Cost	Fair value	Cost	Fair value
Fixed income	\$ 4,792,284	\$ 4,558,420	\$ 5,148,828	\$ 5,233,980
Equity	2,934,801	3,598,869	2,889,621	3,295,707
Alternatives	775,118	775,118	–	–
	<u>\$ 8,502,203</u>	<u>\$ 8,932,407</u>	<u>\$ 8,038,449</u>	<u>\$ 8,529,687</u>

Net investment income, consists of the following:

	2022	2021
Dividends, interest and realized gains	\$ 402,582	\$ 596,625
Unrealized (loss) gain on investments	(61,034)	676,785
Change in value of charitable remainder trust	63,613	233,232
Management fees	(33,045)	(30,780)
	<u>\$ 372,116</u>	<u>\$ 1,475,862</u>

SCARBOROUGH HEALTH NETWORK FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

3. Charitable remainder trust receivable:

During the years ended March 31, 2013 and March 31, 2017, the Foundation entered into trust agreements which the Foundation has classified as a charitable remainder trust receivable. Capital of \$1,000,000 and \$200,000, respectively, were transferred into the trusts with accrued interest to be paid to the grantors and the residual capital to be paid to the Foundation upon the 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.

4. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 10,612	\$ 7,112	\$ 3,500	\$ 3,500
Leasehold improvements	8,315	3,603	4,712	6,375
Donor recognition wall	312,454	255,331	57,123	78,368
Computer software and hardware	59,776	37,428	22,348	31,550
	\$ 391,157	\$ 303,474	\$ 87,683	\$ 119,793

5. 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, 2021 indicates the plan is 120% funded (119% as at December 31, 2020). During the year, the Foundation contributed \$210,651 (2021 - \$214,224) to the plan on behalf of employees.

SCARBOROUGH HEALTH NETWORK FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

6. Related party transactions:

The Foundation and the Hospital are separate legal entities. The Foundation provides grants to the Hospital to meet its goals and objectives (note 7).

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.

The Foundation's investments are managed by Cidel Asset Management Inc. which is partially owned by a member of the Foundation's Board of Directors. All transactions incurred are in the normal course of operations.

7. Grants:

The following grant disbursements were made to:

	2022	2021
Hospital	\$ 273,266	\$ 4,536,192
Other organizations	45,000	45,000
	<u>\$ 318,266</u>	<u>\$ 4,581,192</u>

Disbursements to the Hospital provide support for capital projects, equipment, and special programs and services.

Grants to other organizations were made to registered Canadian charities in consultation with the Hospital.

8. Interfund transfers:

Transfers between the Restricted Fund and the General Fund may be made as approved by the Board of Directors. During the year, \$126,283 was transferred from the Restricted Fund to the General Fund. During the year ended March 31, 2021, \$618,574 was transferred from the General Fund to the Restricted Fund.

SCARBOROUGH HEALTH NETWORK FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

9. Letters of credit:

The Foundation issues letters of credit with respect to charitable gaming activities. As of March 31, 2022, there are available letters of credit of \$24,000 (2021 - \$24,000) and no amounts have been applied against these letters of credit as of March 31, 2022 and 2021.

10. 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:

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.

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 carries 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.

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.

SCARBOROUGH HEALTH NETWORK FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

11. Financial instruments and risk management:

(a) Market risk:

The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The value of fixed income securities will vary with developments within the specific companies or governments which issue the securities.

The Foundation endeavors to mitigate this risk by adopting an investment policy which provides appropriate portfolio diversification.

(b) 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 have fixed interest and are subject to interest rate risk.