

Trillium Health Partners Foundation

Financial Statements
March 31, 2019



Independent auditor's report

To the Members of Trillium Health Partners Foundation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Trillium Health Partners Foundation (the Foundation) as at March 31, 2019 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, 2019;
- the statement of operations and 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 10, 2019

Trillium Health Partners Foundation

Statement of Financial Position

As at March 31, 2019

				2019	2018
	General \$	Restricted \$	Endowment \$	Total \$	Total \$
Assets					
Current assets					
Cash	3,564,709	10,121,121	106,702	13,792,532	8,419,019
HST recoverable and other receivables	974,478	-	3,846	978,324	293,084
Short-term investments (note 4)	4,537,298	28,489,272	-	33,026,570	32,358,813
Prepaid expenses	21,654	-	-	21,654	37,195
Current portion of note receivable (note 7(c)(i))	225,521	-	-	225,521	228,860
	9,323,660	38,610,393	110,548	48,044,601	41,336,971
Capital assets (note 3)	635,106	-	-	635,106	583,257
Investments (note 4)	2,594,246	2,748,685	18,987,151	24,330,082	21,150,071
Investment in subsidiary (note 5)	95,273	-	-	95,273	-
Note receivable (note 7(c)(i))	821,943	-	-	821,943	1,027,429
	13,470,228	41,359,078	19,097,699	73,927,005	64,097,728
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities (note 7(b)(ii))	1,039,715	-	21,419	1,061,134	1,075,096
Deferred revenue	10,354	19,574	-	29,928	32,796
	1,050,069	19,574	21,419	1,091,062	1,107,892
Employee future benefits	45,200	-	-	45,200	43,200
Deficit in investment in subsidiary (note 5)	-	-	-	-	22,488
Fund balances	12,374,959	41,339,504	19,076,280	72,790,743	62,924,148
	13,470,228	41,359,078	19,097,699	73,927,005	64,097,728

Commitments (note 12)

Approved by the Board of Directors

 Director

 Director

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

Trillium Health Partners Foundation
Statement of Operations and Changes in Fund Balances
For the year ended March 31, 2019

				2019	2018
	General	Restricted	Endowment	Total	Total
	\$	\$	\$	\$	\$
Income					
Donations (notes 7(b)(iii) and 7(c)(ii))	4,260,418	9,500,610	79,309	13,840,337	15,711,818
Special events	243,242	3,658,594	600	3,902,436	4,104,086
Bequests	856,578	985,076	-	1,841,654	1,179,428
Investment (notes 6 and 7(c)(ii))	340,294	733,884	883,816	1,957,994	1,586,280
Other (note 7(c)(ii))	694,797	-	-	694,797	706,638
	<u>6,395,329</u>	<u>14,878,164</u>	<u>963,725</u>	<u>22,237,218</u>	<u>23,288,250</u>
Expenses (note 8)					
Salaries and benefits (notes 7(ii) and 10)	3,680,180	559,643	-	4,239,823	4,113,364
Fundraising	1,215,809	1,868,241	-	3,084,050	3,031,821
Administration	511,897	85,005	-	596,902	687,745
Depreciation	86,691	-	-	86,691	63,735
	<u>5,494,577</u>	<u>2,512,889</u>	<u>-</u>	<u>8,007,466</u>	<u>7,896,665</u>
Excess of income over expenses before the undernoted items					
Disbursements to Trillium Health Partners (note 7(b)(i))	900,752	12,365,275	963,725	14,229,752	15,391,585
Change in fair value of investments	(112,565)	(4,268,274)	-	(4,380,839)	(24,620,998)
Income from investment in subsidiary (note 5)	(12,090)	-	(86,889)	(98,979)	17,739
	<u>117,761</u>	<u>-</u>	<u>-</u>	<u>117,761</u>	<u>57,117</u>
Excess (deficiency) of income over expenses for the year					
	893,858	8,097,001	876,836	9,867,695	(9,154,557)
Fund balances – Beginning of year	11,196,707	32,899,997	18,827,444	62,924,148	72,078,805
Employee future benefits remeasurement	(1,100)	-	-	(1,100)	(100)
Interfund transfers (note 11)	285,494	342,506	(628,000)	-	-
Fund balances – End of year	<u>12,374,959</u>	<u>41,339,504</u>	<u>19,076,280</u>	<u>72,790,743</u>	<u>62,924,148</u>

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

Trillium Health Partners Foundation

Statement of Cash Flows

For the year ended March 31, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of income over expenses for the year	9,867,695	(9,154,557)
Items not affecting cash		
Depreciation	86,691	63,735
Change in fair value of investments	98,979	(17,739)
Donations received in equity investments	(1,753,032)	(3,949,288)
Reinvested investment income	(1,094,324)	(900,684)
Income from investment in subsidiary	(117,761)	(57,117)
	<u>7,088,248</u>	<u>(14,015,650)</u>
Changes in non-cash operating items		
HST recoverable and other receivables	(685,240)	(106,728)
Prepaid expenses	15,541	53,310
Accounts payable and accrued liabilities	(13,962)	82,691
Deferred revenue	(2,868)	(14,445)
Employee future benefits	900	(400)
	<u>6,402,619</u>	<u>(14,001,222)</u>
Financing activities		
Payment received for note receivable	<u>208,825</u>	<u>182,112</u>
Investing activities		
Purchase of capital assets	(138,540)	(186,704)
Purchase of investments	(61,135,748)	(56,921,134)
Proceeds from sale of investments	<u>60,036,357</u>	<u>73,721,620</u>
	<u>(1,237,931)</u>	<u>16,613,782</u>
Increase in cash during the year	<u>5,373,513</u>	<u>2,794,672</u>
Cash – Beginning of year	<u>8,419,019</u>	<u>5,624,347</u>
Cash – End of year	<u>13,792,532</u>	<u>8,419,019</u>

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

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2019

1 Purpose of organization

Trillium Health Partners Foundation (the Foundation) receives, accumulates and distributes funds and/or income for charitable purposes carried on for the benefit of or to enhance or improve the services provided by or the facilities of Trillium Health Partners (the Hospital), including but not limited to medical research, education, teaching and generally the advancement of knowledge and skills in and relating to the healing arts.

The Foundation is a public foundation registered under the Income Tax Act (Canada) (the Act). As such, the Foundation is exempt from income taxes and is able to issue donation receipts for income tax purposes under registration number 11924 5678 RR0001. The Foundation must meet certain requirements under the Act to maintain this status.

2 Summary of significant accounting policies

Basis of accounting

Management has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Canadian Accounting Standards Board.

The accrual basis of accounting is used for reporting all income and expenses, except for donations and bequests, which in most cases, due to the inability to predict recoverability, are typically accounted for on a cash basis.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. As part of its fiduciary responsibilities, the Foundation expends funds for the purpose for which they were given.

For financial reporting purposes, the accounts have been classified as follows:

- General Fund

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

- Restricted Fund

The Restricted Fund reports expendable resources that are to be used for specific purposes as specified by the donor or by internal restrictions in support of a specific fundraising appeal or priority of the Hospital.

- Endowment Fund

The Endowment Fund reports resources where either the donor or internal restrictions require that the principal must be maintained by the Foundation on a permanent basis.

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2019

Financial instruments

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

Cash	fair value
HST recoverable and other receivables	amortized cost
Short-term investments	fair value
Long-term investments	fair value
Note receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost

Short-term investments are valued based on cost plus accrued income, which approximates fair value. Long-term investments consist of pooled funds and are measured at fair value from prices quoted in an active market. Changes in fair value are recorded in the statement of operations and changes in fund balances. Transaction costs are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment.

Capital assets

Capital assets are recorded 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 and software	2 years
Equipment	5 years
Furniture and fixtures	10 years

The Foundation reviews the carrying amount of capital assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If the capital assets no longer have any long-term service potential to the Foundation, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of operations and changes in fund balances.

Investment in subsidiary

The Foundation records its investment in its wholly owned subsidiary, 1962835 Ontario Inc. (the Subsidiary), using the equity method. Related party transactions of the Subsidiary are recognized at the exchange amount.

The Foundation recognizes its share of gains and losses in excess of the carrying amount of its investment in the Subsidiary to the extent it is assured of imminent profitability.

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2019

Pension plan and employee future benefits

- Multi-employer plan

Employees of the Foundation are members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer contributory defined benefit pension plan. HOOPP members receive benefits based on length of service and the average annualized earnings during the five consecutive years that provide the highest earnings prior to retirement, termination or death.

- Employee future benefits

The Foundation has an obligation to provide non-pension post-employment benefits to certain employees. The Foundation accrues its obligations under employee future benefit plans and the related costs when the benefits are earned through current service.

The cost of post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimates of retirement ages of employees, expected health-care costs and dental costs.

Actuarial gains and losses arise when the accrued benefit obligations change during the year. The actuarial gains and losses are recorded in fund balances.

Revenue recognition

Contributions represented by donations and bequests are recognized as income in the year received or receivable, if the amounts can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as income of the General Fund. Donor restricted contributions for specific purposes are recognized as income of the Restricted Fund unless the capital is to be maintained for a specific period of time, in which case the contributions are recognized as income of the Endowment Fund.

Special event income such as donations, sponsorship fees and table and ticket sales is recorded as income in the year in which the event occurs, together with any associated costs. Pledges are not recorded in these financial statements as they are not legally enforceable claims. Donations-in-kind are recorded at fair value when received. Investment income is recorded as earned.

Investment income earned on Endowment Fund or Restricted Fund resources, which must be spent on donor restricted activities, is recognized as income of the Endowment Fund or Restricted Fund. Investment income earned on unrestricted fund resources is recognized as income of the General Fund.

Other income includes rent earned from the Subsidiary under an operating lease agreement including percentage participation rents, operating cost recoveries and other incidental income. The Foundation records lease revenue associated with 1962835 Ontario Inc.'s office and retail space on a straight-line basis.

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2019

Expense allocation

Expenses are initially paid out of the Foundation's General Fund. Expenses are allocated across all eligible restricted funds that benefit from the expenses. Wherever practical, direct expenses are charged to eligible restricted funds. Indirect expenses, such as salaries, benefits and administrative costs, are allocated based on time spent.

Contributed materials and services

Volunteers contribute a significant amount of their time each year. Due to the difficulty in determining the fair value, contributed services are not recognized in the financial statements. Contributed materials are recorded, when received, at their fair value.

Gifts of securities

Gifts of securities are valued at fair value on the day the Foundation receives the securities. Any gains or losses arising from timing differences from the receipt and subsequent sale of securities are immediately recognized by the Foundation in the statement of operations and changes in fund balances.

Use of estimates

Management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and fund balances and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses. These estimates are reviewed periodically and as adjustments become necessary, they are reported in income in the period in which they become known. Actual results could differ from those estimates.

3 Capital assets

	2019		2018	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer hardware and software	28,492	28,492	-	-
Equipment	191,921	191,921	-	-
Furniture and fixtures	892,553	257,447	635,106	583,257
	1,112,966	477,860	635,106	583,257

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2019

4 Investments

General and endowed long-term investments are comprised of amounts held in units of various pooled funds, calculated on a unit basis and managed by external investment managers.

General long-term investments

	2019 \$	2018 \$
Cash equivalents	4,487	23,146
Fixed income	1,045,518	980,463
Canadian equities	793,410	860,666
US equities	447,329	327,174
International equities	303,502	285,366
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	2,594,246	2,476,815

The restricted long-term investments consist of guaranteed investment certificates (GICs) with various financial institutions, which are due after March 31, 2020. The short-term investments consist of GICs that are due before March 31, 2020.

Endowed long-term investments

	2019 \$	2018 \$
Cash equivalents	14,461	163,449
Fixed income	7,681,285	7,401,035
Canadian equities	5,807,005	6,490,541
US equities	3,271,082	2,465,859
International equities	2,213,318	2,152,372
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	18,987,151	18,673,256

The long-term investment portfolio is managed in accordance with the Foundation's Board approved Endowment and Investment policies.

5 Investment in subsidiary

The Foundation controls a for-profit taxable corporation, 1962835 Ontario Inc., which develops, operates and invests in commercial opportunities. The common share of the Subsidiary, with a value of \$1, was gifted to the Foundation on December 1, 2016 and is accounted for using the equity method. The Subsidiary also has a March 31 fiscal year-end.

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2019

The continuity of the investment in subsidiary is as follows:

	2019	2018
	\$	\$
Balance, April 1	(22,488)	(79,605)
Net income	117,761	57,117
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Balance, March 31	95,273	(22,488)

The financial information based on the Subsidiary's audited financial statements is as follows:

	2019	2018
	\$	\$
Financial position		
Total assets	1,010,050	1,224,627
Total liabilities	1,381,407	1,713,745
Shareholder's deficiency	371,357	489,118
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Result of operations		
Total income	7,542,305	7,715,273
Total expenses	7,424,544	7,658,156
Net income	117,761	57,117
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Cash provided by (used in)		
Total operating activities	137,357	859,531
Total investing activities	(271,432)	(254,928)
Total financing activities	(205,486)	(205,486)
	<hr/>	<hr/>
Net (decrease) increase in cash	(339,561)	399,117

6 Investment income

Investment income consists of:

	2019	2018
	\$	\$
Investment income	2,061,496	1,697,914
Management fee expense	(103,502)	(111,634)
	<hr/>	<hr/>
	1,957,994	1,586,280

Investment income comprises interest, dividends and distributions on investments. Management fees relate to selling donated shares of public companies and investment management fees.

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2019

7 Related party transactions

a) Board of directors

The Foundation's Board of Directors donate their time while serving on the Board and Board Committees. No remuneration was paid to Board Members during the year.

b) Trillium Health Partners

- i) The Hospital is a Canadian public hospital and an independent corporation, which has its own Board of Directors. The Foundation receives, accumulates and distributes funds and/or income for charitable purposes carried on for the benefit of or to enhance or improve the services provided by or the facilities of the Hospital. During the year, the Foundation disbursed \$4,380,839 (2018 – \$24,620,998) for the revitalization and redevelopment of patient care spaces, equipment and technology replacement as well as research and educational activities in support of the Hospital.
- ii) The Hospital provides the Foundation with office space, information technology (IT) support and payroll administration services at no cost. Salaries, benefits and certain miscellaneous expenses are paid by the Hospital and are reimbursed by the Foundation. Included in accounts payable and accrued liabilities is \$691,672 (2018 – \$694,271) due to the Hospital. The Hospital has entered into contractual arrangements with the Foundation to lease space to the Foundation at minimal cost.
- iii) During the year, \$246,870 (2018 – \$169,340) was donated by the Trillium Health Partners Volunteers, a division within the Hospital, and is separately recorded as other donation income in the statement of operations and changes in fund balances.

c) 1962835 Ontario Inc. (the Foundation's subsidiary)

- i) A secured promissory note with a principal amount of \$1,438,401, secured by the assets of the Subsidiary, was donated to the Foundation by the legacy registered charity Trillium Health Partners Volunteers on March 31, 2017. The secured promissory note bears interest at 6.5%, payable quarterly. The principal is payable in seven equal annual instalments on March 31 each year, with the second instalment of \$205,486 paid on March 31, 2019. Included in the current portion of note receivable is the principal repayment of \$ 205,486 (2018 – \$ 205,486) due on March 31, 2020 and interest receivable of \$20,035 (2018 – \$ 23,374).

Trillium Health Partners Foundation

Notes to Financial Statements

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- ii) The following transactions have been incurred with the Subsidiary during the year. All of the transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the Foundation and its Subsidiary.

	\$	\$
Rental income	694,797	706,638
Donations	100,000	550,000
Smile Cookie Campaign Donation via Tim Hortons Canada	4,525	4,081
Investment income	80,140	93,496
Sponsorship income	35,000	25,000

8 Expense allocation

During the year, \$2,512,889 of salaries and benefits, fundraising and administrative expenses (2018 – \$2,454,602) was allocated from the General Fund to the Restricted Fund in accordance with the Foundation's expense allocation policy.

9 Financial instruments

The Foundation is exposed to various financial risks through its transactions in financial instruments.

Currency risk

The Foundation is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to changes in the relative value of foreign currencies against the Canadian dollar.

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. The Foundation places its cash and investments with institutions of high creditworthiness.

Interest rate risk

The Foundation is exposed to interest rate risk with respect to its investments in fixed income investments and a pooled fund that holds fixed income securities, because the fair value will fluctuate due to changes in market interest rates.

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2019

Other price risk

The Foundation is exposed to other price risk through changes in market prices, other than changes arising from interest rate or currency risk, in connection with its investments in equity securities and pooled funds. To manage this risk, the Foundation invests in a target mix of investment types in accordance with its Board approved Investment Policy.

10 Pension plan

Employer contributions made to the multi-employer contributory defined benefit pension plan during the year amounted to \$344,900 (2018 – \$331,230) and have been recorded in salaries and benefits expense in the statement of operations and changes in fund balances.

11 Interfund transfers

The interfund transfer represents the annual distribution of investment income in accordance with the Foundation's endowment policy approved by the Finance Committee.

12 Commitments

The Foundation has also entered into certain contractual agreements, which primarily relate to IT maintenance service and marketing agreements that expire by March 31, 2021, as well as storage commitments for the balance. The minimum payments for these agreements for the next five years are as follows:

	\$
2020	157,076
2021	42,780
2022	2,200
2023	2,200
2024	2,200
	<hr/>
	206,456
	<hr/>

13 Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted in the current year. In particular, the amounts disclosed as purchases of investments in investing activities in the statement of cash flows was decreased by \$900,684 and the same amount was presented as reinvested investment income under items not affecting cash in operating activities. Also, donations received in equity investments, in the amount of \$3,949,288, have been included in operating activities, and the proceeds from sale of investments in investing activities was increased by the same amount.