

West Park Healthcare Centre Foundation

(incorporated without share capital under
the laws of the Province of Ontario)

Financial Statements

March 31, 2017



May 30, 2017

Independent Auditor's Report

To the Directors of West Park Healthcare Centre

We have audited the accompanying financial statements of West Park Healthcare Centre Foundation, which comprise the statement of financial position as at March 31, 2017 and the statements of operations and changes in fund balances 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
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215*

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of West Park Healthcare Centre Foundation as at March 31, 2017 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



West Park Healthcare Centre Foundation

Statement of Financial Position

As at March 31, 2017

	2017 \$	2016 \$
Assets		
Cash	39,509	191,067
Restricted cash investment (note 3)	41,258	38,699
Accounts receivable	110,747	62,549
Prepaid expenses	17,797	14,065
Investments (note 4)	13,419,851	12,877,758
	<u>13,629,162</u>	<u>13,184,138</u>
Liabilities		
Accrued charges	268,141	306,522
Deferred revenue	12,500	-
Campaign advance (note 6)	1,367,727	2,208,834
	<u>1,648,368</u>	<u>2,515,356</u>
Fund balances		
Externally restricted		
Restricted Fund (note 11)	7,838,061	7,280,073
Endowment Fund (note 5)	5,029,740	4,877,361
Unrestricted		
General Fund (note 10)	(887,007)	(1,488,652)
	<u>11,980,794</u>	<u>10,668,782</u>
	<u>13,629,162</u>	<u>13,184,138</u>

Approved on Behalf of the Board of Directors

 Director  Director

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

West Park Healthcare Centre Foundation

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2017

	General Fund		Restricted Fund		Endowment Fund		Total
	2017	2016	2017	2016	2017	2016	
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Donations (note 9)	1,553,368	672,056	884,109	956,257	-	-	2,437,477
Fundraising events	499,237	720,624	6,597	20,000	-	-	505,834
Investment income (loss) (note 4)	615,348	(59,243)	-	-	527,945	(18,989)	1,143,293
Parking revenue (note 6)	735,176	704,918	-	-	-	-	735,176
	3,403,129	2,038,355	890,706	976,257	527,945	(18,989)	4,821,780
							2,995,623
Expenses							
Employee compensation	1,531,319	1,423,418	-	-	-	-	1,531,319
General and administrative (note 6)	276,827	352,742	-	-	-	-	276,827
Marketing and stewardship	29,043	28,240	-	-	-	-	29,043
Fundraising events	421,050	309,138	-	-	-	-	421,050
West Park Healthcare Centre support (note 6)	209,932	180,985	516,353	395,856	-	-	726,285
Parking expenses (note 6)	525,244	523,933	-	-	-	-	525,244
	2,993,415	2,818,456	516,353	395,856	-	-	3,509,768
							3,214,312
Excess (deficiency) of revenue over expenses for the year	409,714	(780,101)	374,353	580,401	527,945	(18,989)	1,312,012
							(218,689)
Fund balances - Beginning of year	(1,488,652)	(789,400)	7,280,073	6,641,653	4,877,361	5,035,218	10,668,782
Interfund transfers (note 7)	191,931	80,849	183,635	58,019	(375,566)	(138,868)	-
Fund balances - End of year	(887,007)	1,488,652	7,838,061	7,280,073	5,029,740	4,877,361	11,980,794
							10,668,782

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

West Park Healthcare Centre Foundation

Statement of Cash Flows

For the year ended March 31, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	1,312,012	(218,689)
Add: Non-cash item		
Decrease (increase) in fair value of investments	(1,028,221)	232,245
	283,791	13,556
Changes in non-cash working capital balances		
Accounts receivable	(48,198)	19,323
Prepaid expenses	(3,732)	(14,065)
Accrued charges	(38,381)	208,798
Deferred revenue	12,500	(17,250)
	205,980	210,362
Financing activities		
Increase (decrease) in campaign advance	(841,107)	520,161
Investing activities		
Purchase of investments	(480,984)	(5,791,610)
Sale of investments	1,122,781	5,376,992
Decrease (increase) in restricted cash	(2,559)	10,811
Reinvested realized gains and interest income on investments, net	(155,667)	(192,842)
	483,569	(596,649)
Increase (decrease) in cash during the year	(151,558)	133,874
Cash - Beginning of year	191,067	57,193
Cash - End of year	39,509	191,067

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

West Park Healthcare Centre Foundation

Notes to Financial Statements

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1 Purpose of the Foundation

West Park Healthcare Centre Foundation (the Foundation) is incorporated without share capital under the laws of the Province of Ontario. While it is a separate legal entity from West Park Healthcare Centre (the Centre), the Foundation was established to raise funds to support programs, services, and capital needs of the Healthcare Centre, as approved by the Foundation's Board of Directors. All donations to the Centre are received through the Foundation and receipted by the Foundation for income tax purposes. The Foundation is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

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 following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements.

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. 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:

- General Fund

The General Fund accounts for the Foundation's fundraising, program delivery and administration activities. This fund reports unrestricted donations received.

- Restricted Fund

The Restricted Fund includes those funds where resources are to be used for an identified purpose, as specified by the donor.

- Endowment Fund

The Endowment Fund includes those funds where either the donor or internal restrictions require that the principal be maintained by the Foundation on a permanent basis.

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Investments

Investments consist of a fixed income fund and Canadian and international equity funds and are carried in the financial statements at fair value based on quoted market values. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Revenue recognition and investment income

The Foundation follows the restricted fund method of accounting for contributions. Donor restricted contributions for endowment purposes are recognized as revenue in the Endowment Fund. Other donor restricted contributions are recognized as revenue of the Restricted Fund and unrestricted contributions are recognized as revenue of the General Fund. Donations are recognized in revenue when received since pledges are not legally enforceable claims. Donations received in advance of a signed gift agreement are deferred until the related gift agreement is signed.

Investment income subject to donor restrictions stipulating that it be added to the principal amount of the endowment is recognized as revenue of the Endowment Fund. Investment income earned on the Restricted Fund is recorded as revenue of the General Fund unless restricted by the donor in which case it is recorded as revenue of the Restricted Fund. All other investment income is recognized as revenue of the General Fund when earned.

The Foundation recognizes revenue for events in the year in which the event occurs. Sponsorships and tickets sold in advance for events to be held in the next fiscal year are recorded as deferred revenue.

Property, plant and equipment

The Foundation does not own any property, plant and equipment. All assets used by the Foundation are the property of the Centre and are loaned to the Foundation for its use.

Contributed materials and services

Contributed materials and services are not recognized in the financial statements.

Use of estimates

The preparation of the financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

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3 Restricted cash investment

The Foundation has a standby letter of credit for \$41,258 that expires on April 3, 2017 in connection with its lottery which took place on February 15, 2017. The funds held as security for this letter of credit are presented as restricted cash investments on the statement of financial position.

4 Investments

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

	2017		2016	
	\$	%	\$	%
Cash and cash equivalents	252,665	2	254,990	2
Fixed income	6,526,203	49	6,265,368	49
Canadian equities	3,480,819	26	3,245,824	25
International equities	3,160,164	23	3,111,576	24
Aggregate fair value	13,419,851	100	12,877,758	100
Aggregate cost	11,842,677		12,143,683	

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

Investment income earned on the Foundations assets consist of the following:

	2017	2016
	\$	\$
Interest and realized gains	115,072	154,012
Change in fair value of investments	1,028,221	(232,244)
	1,143,293	(78,232)

Investment fees of \$49,175 (2016 - \$46,483) have been netted against interest and realized gains.

5 Endowment Fund

The Foundation has a policy designed to protect the real value of endowments by limiting the amount of investment income made available for spending and requiring the reinvestment of income not made available.

The annual payout amount for endowed funds is: (i) the amounts stipulated by the donor, and (ii) currently 4% according to the Foundation's policy for funds where the donor has not stipulated an amount. In addition, where

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permitted by the donor a 1% fee is allocated to the General Fund to cover administration costs. In any year, should the aggregate of net investment income for that year and the accumulated reinvested income from prior years be insufficient to fund the payout and the 1% fee for the particular year, then the payout is reduced and the 1% fee is not allocated in order to preserve the original principal of the donation. Once determined, the annual payout from the endowment funds is transferred to the Restricted Fund, where it remains until actual distributions are made.

6 Related party transactions

The Centre provides space and certain administrative support services to the Foundation. Total costs charged to the Foundation for these services in 2017 were \$nil (2016 - \$100,000), included as part of general and administrative expenses in the statement of operations and changes in fund balances.

During the year the Foundation approved and paid to the Centre \$516,353 (2016 - \$395,856) in capital and operating grants. During the year, the Centre approved a gift to the Foundation in the amount of \$750,000 (2016 - \$nil) which was recorded under donations.

General Fund expenses are paid for by the Centre and reimbursed by the Foundation from General Fund revenue. Expenses that have yet to be reimbursed are represented by the Campaign advance. On June 14, 2013, the Centre and the Foundation executed a non-interest bearing term loan agreement expiring on June 30, 2014 that limits the amount of any future loan to \$1,000,000. On June 1, 2014, the Foundation and the Centre entered into a new agreement that increased the amount of the available term loan to \$2,500,000 and extended the term loan to July 31, 2016. The Foundation has pledged as security on this term loan its unrestricted investments. On June 1, 2015, the Foundation and the Centre entered into a new campaign advance agreement that extends the campaign advance to July 31, 2019. On March 29, 2017, the Foundation and Centre entered into a new agreement that extended the loan to July 31, 2021. The Foundation was in compliance throughout the year with the term limit (note 11).

On July 1, 2011, the Foundation entered into a ten-year lease agreement for its parking facilities with the Centre. During the year, the Foundation paid \$226,200 (2016 - \$226,200) in leasing expense, \$238,200 (2015 - \$238,200) in management fees expense and provided a donation of \$209,932 (2016 - \$180,985). This amount is included as part of the amounts due to the Centre.

7 Interfund transfers

During the years ended March 31, 2017 and March 31, 2016, the following interfund transfers were made:

	2017		
	General Fund \$	Restricted Fund \$	Endowment Fund \$
Transfer from Endowment Fund to Restricted Fund to be made available for spending		239,664	(239,664)

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Transfer from Endowment Fund to General Fund as a 1% fee in accordance with the Foundation policies	38,402		(38,402)
Transfer from General Fund to Endowment Fund to in accordance with an Endowment Agreement	(2,500)		2,500
Transfer between funds in accordance with donor directions	77,823	22,177	(100,000)
Transfer from Restricted Fund to General Fund as a 9% fee in accordance with Foundation policies	78,206	(78,206)	
	191,931	183,635	(375,566)

	2016		
	General Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Transfer from Endowment Fund to Restricted Fund to be made available for spending		143,868	(143,868)
Transfer from General Fund to Endowment Fund to in accordance with an Endowment Agreement	(5,000)		5,000
Transfer between funds in accordance with donor direction	(2,014)	2,014	
Transfer from Restricted Fund to General Fund as a 9% fee in accordance with Foundation policies	87,863	(87,863)	
	80,849	58,019	(138,868)

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8 Pension plan

Eligible employees of the Foundation are members of the Healthcare of Ontario Pension Plan (the Plan), which is a multi-employer, defined benefit, final average pay contributory pension plan. Employer contributions made to the Plan during the year by the Foundation amounted to \$130,101 [2016 – \$105,111]. These amounts are included in employee compensation in the statement of operations and changes in fund balances. The most recent actuarial valuation of the Plan as at December 31, 2015 indicates the Plan is 122% funded.

9 Pledges

Pledges have been committed and will be recorded as donation revenue when the donations are received. The majority of these pledges are restricted and management believes that substantially all of these pledges will be collected. As of March 31, 2017, total outstanding pledges are \$12,320,000 (2016 - \$12,518,000) receivable over future years. Included in this amount is \$10,000,000 (2016 - \$10,000,000) pledged by West Park Healthcare Centre towards the Foundation's capital campaign restricted fund.

10 Financial instruments and risk management

The Foundation's financial instruments consist of cash, accounts receivable, investments, accrued charges and campaign advance. It is management's opinion that the Foundation is not exposed to significant credit risks arising from these financial instruments. A certain degree of market and liquidity risk exists from these financial instruments.

Market risk

The Foundation is exposed to market risk through fluctuations of financial instrument fair values due to changes in market prices. The significant market risks to which the Foundation is exposed are interest rate and other price risks.

Interest rate risk

Interest rate risk arises from fluctuations in interest rates and the degree of volatility in these rates. The Foundation is exposed to interest rate risk as a result of its bond portfolio. Changes in interest rates will have an impact on the fair values of the bonds. The Foundation mitigates its risk on interest rates by ensuring that it has a diversified investment portfolio that is regularly monitored and adjusted to minimize risks.

Other price risk

Other price risk is the risk the fair value of a financial instrument will fluctuate because of changes in market prices (other than interest rate risk). The Foundation's investment portfolio is exposed to other price risk.

As of March 31, 2017, the Foundation's total exposure to other price risk is \$ 13,167,186 (2016 - 12,622,770). The Foundation's estimate of the effect on net assets as at March 31, 2017 due to a 1% increase or decrease in the fair value of long-term investments, with all other variables held constant, would amount to an increase or

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decrease of approximately \$131,672 (2016 - \$126,228). In practice, the actual trading values may differ from this sensitivity analysis and the difference could be material.

Liquidity risk

Liquidity risk is the risk the Foundation will not be able to meet its financial obligations when they come due. The Foundation's largest financial obligation is to the Centre. The Foundation has mitigated this risk by managing cash flows from operations and selling unrestricted investments to ensure it has sufficient available funds to meet its current and future financial obligations.

11 Restricted fund - capital campaign

The Foundation has initiated a campaign to raise funds for the capital and equipment needs associated with campus development at the Centre. The restricted fund balance related to this capital campaign as at March 31, 2017 is \$6,272,989 [2016 - \$5,500,996].