

Trillium Health Partners Foundation

Financial Statements
March 31, 2017



June 6, 2017

Independent Auditor's Report

To the Members of Trillium Health Partners Foundation

We have audited the accompanying financial statements of Trillium Health Partners 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trillium Health Partners 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

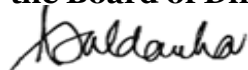
Trillium Health Partners Foundation

Statement of Financial Position

As at March 31, 2017

				2017	2016
	General \$	Restricted \$	Endowment \$	Total \$	Total \$
Assets					
Current assets					
Cash	2,170,229	3,294,947	159,171	5,624,347	22,308,388
HST recoverable and other receivables	182,738	-	3,618	186,356	244,707
Short-term investments	5,277,172	39,381,134	-	44,658,306	18,162,448
Prepaid expenses	90,505	-	-	90,505	280,651
Current portion of note receivable (note 5)	205,486	-	-	205,486	-
	7,926,130	42,676,081	162,789	50,765,000	40,996,194
Capital assets (note 3)	460,288	-	-	460,288	77,635
Investments (note 4)	2,370,454	-	18,412,899	20,783,353	18,295,188
Note receivable (note 5)	1,232,915	-	-	1,232,915	-
	11,989,787	42,676,081	18,575,688	73,241,556	59,369,017
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities (note 8(b)(ii))	969,582	-	22,823	992,405	1,128,135
Deferred revenue	47,241	-	-	47,241	16,525
	1,016,823	-	22,823	1,039,646	1,144,660
Employee future benefits	43,500	-	-	43,500	46,200
Deficit in investment in subsidiary (note 6)	79,605	-	-	79,605	-
Fund balances	10,849,859	42,676,081	18,552,865	72,078,805	58,178,157
	11,989,787	42,676,081	18,575,688	73,241,556	59,369,017

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, 2017

				2017	2016
	General	Restricted	Endowment	Total	Total
	\$	\$	\$	\$	\$
Income					
Donations	4,116,170	12,210,823	134,229	16,461,222	12,116,968
Donations - other (note 8(b)(iii))	-	250,022	-	250,022	195,000
Bequests	957,912	580,569	-	1,538,481	4,487,793
Special events	1,479,036	2,135,886	-	3,614,922	3,264,553
Investment income (note 7)	185,146	469,761	867,901	1,522,808	1,902,997
	6,738,264	15,647,061	1,002,130	23,387,455	21,967,311
Expenses (note 9)					
Salaries and benefits (note 8(b)(ii))	3,421,131	700,384	-	4,121,515	3,898,354
Fundraising	1,544,732	692,582	-	2,237,314	2,338,833
Administration	674,260	148,762	-	823,022	674,575
Depreciation	52,282	-	-	52,282	31,691
	5,692,405	1,541,728	-	7,234,133	6,943,453
Excess of income over expenses before the undernoted	1,045,859	14,105,333	1,002,130	16,153,322	15,023,858
Disbursement to Trillium Health Partners (note 8(b)(i))	-	(4,064,347)	-	(4,064,347)	(5,261,601)
Change in fair value of investments	214,530	-	1,676,249	1,890,779	(2,101,368)
Loss from investment in subsidiary (note 6)	(79,606)	-	-	(79,606)	-
Excess of income over expenses for the year	1,180,783	10,040,986	2,678,379	13,900,148	7,660,889
Fund balances - Beginning of year	9,402,691	32,314,980	16,460,486	58,178,157	50,515,968
Employee future benefits remeasurement	500	-	-	500	1,300
Interfund transfers (note 11)	265,885	320,115	(586,000)	-	-
Fund balances - End of year	10,849,859	42,676,081	18,552,865	72,078,805	58,178,157

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, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess of income over expenses for the year	13,900,148	7,660,889
Items not affecting cash		
Depreciation	52,282	31,691
Change in fair value of investments	(1,890,779)	2,101,368
Loss from investment in subsidiary	79,606	-
Donation of note receivable (note 5)	(1,438,401)	-
Donation of 1962835 Ontario Inc. share (note 6)	(1)	-
	<hr/>	<hr/>
	10,702,855	9,793,948
Changes in non-cash operating items		
HST recoverable and other receivables	58,351	83,206
Prepaid expenses	190,146	(207,148)
Accounts payable and accrued liabilities	(135,730)	65,130
Deferred revenue	30,716	1,535
Employee future benefits	(2,200)	(1,900)
	<hr/>	<hr/>
	10,844,138	9,734,771
Investing activities		
Purchase of capital assets	(434,935)	(8,617)
Purchase of long-term investments	(1,067,386)	(1,548,451)
Disposal of long-term investments	470,000	511,000
Purchase of short-term investments	(61,456,611)	(37,074,844)
Disposal of short-term investments	34,960,753	36,692,200
	<hr/>	<hr/>
	(27,528,179)	(1,428,712)
Increase (decrease) in cash during the year	(16,684,041)	8,306,059
Cash - Beginning of year	<hr/>	<hr/>
	22,308,388	14,002,329
Cash - End of year	<hr/>	<hr/>
	5,624,347	22,308,388

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

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2017

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 the 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 in 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, 2017

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 recoverables	amortized cost
Other receivables	amortized cost
Short-term investments	fair value
Long-term investments	fair value
Long-term 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.

The Foundation is exposed to market risk with regards to its long-term investments. To manage this risk, the Foundation's investment portfolio operates within the constraints of a Board approved investment policy and is monitored on a regular basis.

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	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., which is a for-profit taxable corporation, using the equity method. Related party transactions of the subsidiary are recognized at the exchange amount.

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2017

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

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.

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2017

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

			2017	2016
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer hardware and software	28,492	25,173	3,319	8,575
Equipment	191,921	191,164	757	1,583
Furniture	567,307	111,095	456,212	67,477
	787,720	327,432	460,288	77,635

During the year, \$434,935 (2016 - \$8,617) of additions was purchased and capitalized.

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2017

4 Long-term investments

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

	2017 \$	2016 \$
Cash equivalents	17,385	9,717
Fixed income	868,624	758,181
Canadian equities	847,073	761,044
US equities	319,584	264,247
International equities	317,788	241,978
	<hr/>	<hr/>
	2,370,454	2,035,167

Endowed long-term investments

	2017 \$	2016 \$
Cash equivalents	59,421	81,168
Fixed income	6,970,830	6,076,933
Canadian equities	6,577,842	6,079,119
US equities	2,483,084	2,100,183
International equities	2,321,722	1,922,618
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	18,412,899	16,260,021

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

5 Note receivable

A secured promissory note with a principal amount of \$1,438,401, secured by the assets of 1962835 Ontario Inc., was donated to the Foundation by Trillium Health Partners Volunteers (THPV) on March 31, 2017. It bears annual interest at 6.5%, payable quarterly. The principal is payable in seven equal instalments made annually on March 31 with the first instalment of \$205,486 payable on March 31, 2018. The note is due from 1962835 Ontario Inc., a corporation for which the Foundation is the sole shareholder (note 6).

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2017

6 Deficit in investment in subsidiary

All of the common shares of a for-profit taxable corporation 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. The subsidiary corporation commenced operations on March 31, 2017.

	2017
	\$
Common shares, 1962835 Ontario Inc.	1
Net loss	(79,606)
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Deficit in investment in subsidiary	(79,605)
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The financial summary of the subsidiary is as follows:

	2017
	\$
Financial position	
Total assets	1,769,091
Total liabilities	1,848,697
Shareholder's deficiency	79,605
	<hr/>
Result of operations	2017
	\$
Total income	-
Total expenses	79,606
Net loss	79,606
	<hr/>
Cash provided by (used in)	2017
	\$
Total operating activities	78,708
Total investing activities	(67,900)
Total financing activities	1
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Net increase in cash	10,809
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Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2017

7 Investment income

Breakdown of investment income is as follows:

	2017 \$	2016 \$
Investment income	1,624,381	1,993,724
Management fee expense	(101,573)	(90,727)
	<u>1,522,808</u>	<u>1,902,997</u>

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

8 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 \$4,064,347 (2016 - \$5,261,601) 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 liability is \$599,279 (2016 - \$646,435) due to the Hospital.
- iii) During the year, \$250,022 (2016 - \$195,000) was donated by the Credit Valley Volunteer Partners, a division within the Hospital, and is separately recorded as other donation income in the statement of operations and changes in fund balances.

c) Trillium Health Partners Volunteers

Effective September 28, 2016, the Boards of Directors of THPV and the Foundation approved the transfer of governance control of THPV from the Board of Directors of THPV to the Foundation. THPV is an incorporated non-profit association whose members have been, or are presently, volunteers of the

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2017

Hospital. The mission of THPV is to support the volunteer programs directed by the Volunteer Services Department of the Hospital and to raise funds for the support of the Hospital.

THPV utilizes the same accounting policies as the Foundation to present financial information and has not been consolidated in the Foundation's financial statements.

On March 31, 2017, THPV sold net assets with a fair value of \$1,438,401 to 1962853 Ontario Inc., a corporation solely owned by the Foundation in exchange for a secured promissory note. The promissory note was subsequently donated to the Foundation (note 5).

The financial position and total activity as at March 31, 2017 and during the reporting period controlled by the Foundation was comprised of:

	March 31 2017
Financial position	\$
Total assets	643,961
Total liabilities	638,961
Fund balance	5,000
	September 28 to March 31 2017
Result of operations	\$
Total income	4,474,329
Total expenses	3,210,283
Net surplus	1,264,046
	September 28 to March 31 2017
Cash provided by (used in)	\$
Total operating activities	117,406
Total investing activities	(20,571)
Total financing activities	-
Net increase in cash	<u>96,835</u>

9 Expense allocation

During the year, \$1,541,728 of salaries and benefits, fundraising and administrative expenses (2016 - \$2,417,592) was allocated from the General Fund to the Restricted Fund in accordance with the Foundation's expense allocation policy.

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2017

10 Pension plan

Employer contributions made to the plan during the year amounted to \$310,898 (2016 - \$296,372) 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 an allocation of eligible endowed donations received in the year and Endowment Fund balance transferred from the Endowment fund to the General and Restricted funds. During the year, the Foundation transferred \$586,000 (2016 - \$551,000) between funds.

Interfund transfers have been approved by the finance committee.

12 Commitments

The Foundation also has entered into eight agreements, six of which relate to IT maintenance service agreements, three which expire on March 31, 2018 and the balance which expire by March 31, 2019. The minimum payments for these agreements for the next two years are as follows:

	\$
2018	252,215
2019	<u>102,385</u>
	<u>354,600</u>