

Trillium Health Partners Foundation

Financial Statements
March 31, 2016



June 2, 2016

Independent Auditor's Report

To the Board of Directors 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, 2016 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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"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 Trillium Health Partners Foundation as at March 31, 2016 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, 2016

				2016	2015
	General \$	Restricted \$	Endowment \$	Total \$	Total \$
Assets					
Current assets					
Cash	6,658,309	15,435,670	214,409	22,308,388	14,002,329
HST recoverable and other receivables	238,161	-	6,546	244,707	327,913
Short-term investments	1,207,270	16,955,178	-	18,162,448	17,779,804
Prepaid expenses	280,651	-	-	280,651	73,503
	8,384,391	32,390,848	220,955	40,996,194	32,183,549
Capital assets (note 3)	77,635	-	-	77,635	100,709
Long-term investments (note 4)	2,035,167	-	16,260,021	18,295,188	19,359,105
	10,497,193	32,390,848	16,480,976	59,369,017	51,643,363
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities (note 6)	1,031,777	75,868	20,490	1,128,135	1,063,005
Deferred revenue	16,525	-	-	16,525	14,990
Employee future benefits	46,200	-	-	46,200	49,400
	1,094,502	75,868	20,490	1,190,860	1,127,395
Fund Balances	9,402,691	32,314,980	16,460,486	58,178,157	50,515,968
	10,497,193	32,390,848	16,480,976	59,369,017	51,643,363

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, 2016

				2016	2015
	General \$	Restricted \$	Endowment \$	Total \$	Total \$
Income					
Donations	2,941,075	8,992,289	183,604	12,116,968	9,031,903
Donations - other (note 7(b)(iv))	-	195,000	-	195,000	265,200
Bequests	2,365,839	2,121,954	-	4,487,793	3,126,967
Special events	237,755	3,026,298	500	3,264,553	3,531,884
Investment income - net (note 5)	234,161	366,178	1,302,658	1,902,997	1,675,314
Parking - net (note 7(b)(iii))	-	-	-	-	1,055,394
	5,778,830	14,701,719	1,486,762	21,967,311	18,686,662
Expenses (note 8)					
Salaries and benefits (note 9)	3,078,820	819,534	-	3,898,354	3,424,331
Fundraising	888,006	1,450,827	-	2,338,833	2,122,817
Administration	527,344	147,231	-	674,575	743,012
Depreciation	31,691	-	-	31,691	38,451
	4,525,861	2,417,592	-	6,943,453	6,328,611
Excess of income over expenses before transfers and fair value adjustments	1,252,969	12,284,127	1,486,762	15,023,858	12,358,051
Transfers to Trillium Health Partners (note 7(b)(i))	-	(5,261,601)	-	(5,261,601)	(7,802,445)
Fair value adjustments (note 4)	(233,799)	-	(1,867,569)	(2,101,368)	235,625
Excess of income over expenses for the year	1,019,170	7,022,526	(380,807)	7,660,889	4,791,231
Fund balances - Beginning of year	8,156,899	24,966,776	17,392,293	50,515,968	45,717,237
Employee future benefits remeasurement	1,300	-	-	1,300	7,500
Interfund transfers (note 10)	225,322	325,678	(551,000)	-	-
Fund balances - End of year	9,402,691	32,314,980	16,460,486	58,178,157	50,515,968

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, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess of income over expenses for the year	7,660,889	4,791,231
Items not affecting cash		
Depreciation	31,691	38,451
Fair value adjustments	2,101,368	(235,625)
Employee future benefits remeasurement	1,300	7,500
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	9,795,248	4,601,557
Changes in non-cash operating items		
HST recoverable and other receivables	83,206	(298,270)
Prepaid expenses	(207,148)	(49,049)
Accounts payable and accrued liabilities	65,130	343,074
Deferred revenue	1,535	(3,058)
Employee future benefits	(3,200)	(1,800)
	<hr/>	<hr/>
	9,734,771	4,592,454
Investing activities		
Purchase of capital assets	(8,617)	(7,574)
Purchase of long-term investments	(1,548,451)	(4,802,113)
Disposal of long-term investments	511,000	4,007,078
Purchase of short-term investments	(37,074,844)	(45,459,603)
Disposal of short-term investments	36,692,200	34,081,794
	<hr/>	<hr/>
	(1,428,712)	(12,180,418)
Increase (decrease) in cash during the year	8,306,059	(7,587,964)
Cash - Beginning of year	14,002,329	21,590,293
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Cash - End of year	22,308,388	14,002,329
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The accompanying notes are an integral part of these financial statements.

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2016

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

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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
Accounts payable and accrued liabilities	amortized cost

Short-term investments are valued based on cost plus accrued income, which approximates fair value. Equity and fixed income instruments are pooled and measured at fair value from prices quoted in an active market. Changes in fair value are separately disclosed in the statement of operations and changes in fund balances as fair value adjustments. 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

Deferred revenue and prepaid expenses

Deferred revenue represents deposits received in advance for a subsequent year's fundraising events. These amounts are recognized as income in the period in which the event occurs. Costs directly related to future fundraising events are presented as prepaid expenses when the Foundation can reliably demonstrate the event meets the criteria for recognition as an asset. The related costs are expensed once the event has been held.

Trillium Health Partners Foundation

Notes to Financial Statements

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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 net assets.

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, 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. Income from parking operations is recognized on an accrual basis when services are provided. 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

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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 allocated to eligible restricted funds. Indirect expenses, such as salaries and benefits, 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

			2016	2015
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Computer hardware and software	28,492	19,917	8,575	8,458
Equipment	191,921	190,338	1,583	11,536
Furniture	132,373	64,896	67,477	80,715
	352,786	275,151	77,635	100,709

During the year, \$8,617 (2015 - \$7,574) of additions was purchased and capitalized.

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4 Long-term investments

Investments consist of the following amounts held in units of various pooled funds, calculated on a unit basis and managed by external investment managers.

General long-term investments

	2016 \$	2015 \$
Cash equivalents	9,717	13,105
Fixed income	758,181	790,239
Canadian equities	761,044	735,453
US equities	264,247	282,471
International equities	241,978	275,143
	<hr/> 2,035,167	<hr/> 2,096,411

Endowment long-term investments

	2016 \$	2015 \$
Cash equivalents	81,168	54,537
Fixed income	6,076,933	6,567,503
Canadian equities	6,079,119	6,047,199
US equities	2,100,183	2,361,716
International equities	1,922,618	2,231,739
	<hr/> 16,260,021	<hr/> 17,262,694

The long-term investment portfolios are managed in accordance with the Foundation's Board approved Endowment and Investment policies. Fair value changes on these investments are separately disclosed in the statement of operations and changes in fund balances as fair value adjustments. As of November 1, 2014, the Foundation's long-term investments are managed by a single investment fund manager.

5 Investment income

Breakdown of net investment income is as follows:

	2016 \$	2015 \$
Gross investment income	1,993,724	1,778,373
Management fee expense	(90,727)	(103,059)
	<hr/> 1,902,997	<hr/> 1,675,314

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Gross investment income comprises interest, dividends and realized gains or losses on investments. Management fees relate to selling donated shares of public companies and investment management fees.

6 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities balances comprise amounts owed to the Hospital to process the Foundation's payroll, disbursement and miscellaneous amounts owed to external vendors at the end of the reporting period.

	2016	2015
	\$	\$
Salaries and benefits payable to Trillium Health Partners	978,331	942,630
Disbursement payable to Trillium Health Partners	75,868	97,233
Accounts payable and accrued liabilities	73,936	23,142
	<u>1,128,135</u>	<u>1,063,005</u>

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 \$5,261,601 (2015 - \$7,802,445) 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. During the year, reimbursements made by the Foundation for salaries and wages were \$3,900,253 (2015 - \$3,418,630).
- iii) On May 1, 2003, the legacy Credit Valley Hospital Foundation leased parking facilities from the Hospital. Effective November 1, 2014, the Hospital and the Foundation terminated the lease.

On January 1, 2010, the legacy Trillium Health Centre Foundation leased parking facilities from the Hospital. Effective November 1, 2014, the Hospital and the Foundation terminated the lease.

Trillium Health Partners Foundation

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Additionally, the legacy foundations entered into management agreements with the Hospital whereby the Hospital was appointed manager of the parking facility. Effective November 1, 2014, the Hospital and the Foundation terminated these agreements.

Details of the net parking income are as follows:

	2016 \$	2015 \$
Gross income from parking operations	-	9,754,926
Contingent HST liabilities	-	(140,464)
Parking operations management fees paid to the Hospital	-	(7,264,068)
Parking lot rent paid to the Hospital	-	(1,295,000)
	<hr/>	<hr/>
	-	1,055,394

- iv) During the year, \$195,000 (2015 - \$265,200) 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.

8 Expense allocation

During the year, \$2,417,592 of salaries and benefits, fundraising and administrative expenses (2015 - \$2,055,764) was allocated from the General Fund to the Restricted Fund in accordance with the Foundation's expense allocation policy.

9 Pension plan

Employer contributions made to the plan during the year amounted to \$296,372 (2015 - \$291,793) and have been recorded in salaries and benefits expense in the statement of operations and changes in fund balances.

10 Interfund transfers

During the year, the Foundation transferred \$551,000 (2015 - \$440,630) between funds. This comprises:

	2016 \$	2015 \$
Transfer of annual net investment income on endowed funds	551,000	490,630
Other transfer to reflect donor direction	-	(50,000)
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	551,000	440,630

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2016

11 Commitments

The Foundation also has entered into seven 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 three years are as follows:

	\$
2017	232,157
2018	148,215
2019	<u>101,444</u>
	<u>481,816</u>

12 Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.

