

**Trillium Health Partners
Foundation**

Financial Statements
March 31, 2018



June 14, 2018

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, 2018 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, 2018 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.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Trillium Health Partners Foundation

Statement of Financial Position


As at March 31, 2018

				2018	2017
	General \$	Restricted \$	Endowment \$	Total \$	Total \$
Assets					
Current assets					
Cash	3,290,361	4,959,023	169,635	8,419,019	5,624,347
HST recoverable and other receivables	287,414	-	5,670	293,084	186,356
Short-term investments	4,417,839	27,940,974	-	32,358,813	44,658,306
Prepaid expenses	37,195	-	-	37,195	90,505
Current portion of note receivable (note 7(c)(i))	228,860	-	-	228,860	205,486
	8,261,669	32,899,997	175,305	41,336,971	50,765,000
Capital assets (note 3)	583,257	-	-	583,257	460,288
Investments (note 4)	2,476,815	-	18,673,256	21,150,071	20,783,353
Note receivable (note 7(c)(i))	1,027,429	-	-	1,027,429	1,232,915
	12,349,170	32,899,997	18,848,561	64,097,728	73,241,556
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities (note 7(b)(ii))	1,053,979	-	21,117	1,075,096	992,405
Deferred revenue	32,796	-	-	32,796	47,241
	1,086,775	-	21,117	1,107,892	1,039,646
Employee future benefits	43,200	-	-	43,200	43,500
Deficit in investment in subsidiary (note 5)	22,488	-	-	22,488	79,605
Fund balances	11,196,707	32,899,997	18,827,444	62,924,148	72,078,805
	12,349,170	32,899,997	18,848,561	64,097,728	73,241,556
Commitments (note 11)					

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, 2018

				2018	2017
	General \$	Restricted \$	Endowment \$	Total \$	Total \$
Income					
Donations (note 7(c)(ii))	4,140,853	11,245,919	155,706	15,542,478	16,461,222
Donations - other (note 7(b)(iii))	-	169,340	-	169,340	250,022
Special events	592,798	3,509,323	1,965	4,104,086	3,614,922
Bequests	459,155	720,273	-	1,179,428	1,538,481
Investment (notes 6 and 7(c)(ii))	273,076	602,030	711,174	1,586,280	1,522,808
Other (note 7(c)(ii))	706,638	-	-	706,638	-
	6,172,520	16,246,885	868,845	23,288,250	23,387,455
Expenses (note 8)					
Salaries and benefits (notes 7(b)(ii) and 9)	3,549,106	564,258	-	4,113,364	4,121,515
Fundraising	1,243,846	1,787,975	-	3,031,821	2,237,314
Administration	585,376	102,369	-	687,745	823,022
Depreciation	63,735	-	-	63,735	52,282
	5,442,063	2,454,602	-	7,896,665	7,234,133
Excess of income over expenses before the undernoted items	730,457	13,792,283	868,845	15,391,585	16,153,322
Disbursement to Trillium Health Partners (note 7(b)(i))	(517,958)	(24,103,040)	-	(24,620,998)	(4,064,347)
Change in fair value of investments	1,005	-	16,734	17,739	1,890,779
Income (loss) from investment in subsidiary (note 5)	57,117	-	-	57,117	(79,606)
(Deficiency) excess of income over expenses for the year	270,621	(10,310,757)	885,579	(9,154,557)	13,900,148
Fund balances - Beginning of year	10,849,859	42,676,081	18,552,865	72,078,805	58,178,157
Employee future benefits remeasurement	(100)	-	-	(100)	500
Interfund transfers (note 10)	76,327	534,673	(611,000)	-	-
Fund balances - End of year	11,196,707	32,899,997	18,827,444	62,924,148	72,078,805

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, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of income over expenses for the year	(9,154,557)	13,900,148
Items not affecting cash		
Depreciation	63,735	52,282
Change in fair value of investments	(17,739)	(1,890,779)
(Gain) loss from investment in subsidiary	(57,117)	79,606
Donation of note receivable (note 7(c)(i))	-	(1,438,401)
Donation of 1962835 Ontario Inc. share (note 5)	-	(1)
	<u>(9,165,678)</u>	<u>10,702,855</u>
Changes in non-cash operating items		
HST recoverable and other receivables	(106,728)	58,351
Prepaid expenses	53,310	190,146
Accounts payable and accrued liabilities	82,691	(135,730)
Deferred revenue	(14,445)	30,716
Employee future benefits	(400)	(2,200)
	<u>(9,151,250)</u>	<u>10,844,138</u>
Financing activities		
Payment received for note receivable	<u>182,112</u>	<u>-</u>
Investing activities		
Purchase of capital assets	(186,704)	(434,935)
Purchase of long-term investments	(900,684)	(1,067,386)
Proceeds from long-term investments	551,704	470,000
Purchase of short-term investments	(56,921,134)	(61,456,611)
Proceeds from short-term investments	<u>69,220,628</u>	<u>34,960,753</u>
	<u>11,763,810</u>	<u>(27,528,179)</u>
Increase (decrease) in cash during the year	<u>2,794,672</u>	<u>(16,684,041)</u>
Cash - Beginning of year	<u>5,624,347</u>	<u>22,308,388</u>
Cash - End of year	<u>8,419,019</u>	<u>5,624,347</u>

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

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2018

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 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.

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. (the Subsidiary), 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, 2018

The Foundation recognizes its share of losses in excess of the carrying amount of its investment in the 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

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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.

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

			2018	2017
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Computer hardware and software	28,492	28,492	-	3,319
Equipment	191,921	191,921	-	757
Furniture	754,012	170,755	583,257	456,212
	974,425	391,168	583,257	460,288

Trillium Health Partners Foundation

Notes to Financial Statements

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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

	2018 \$	2017 \$
Cash equivalents	23,146	17,385
Fixed income	980,463	868,624
Canadian equities	860,666	847,073
US equities	327,174	319,584
International equities	285,366	317,788
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	2,476,815	2,370,454
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Endowed long-term investments

	2018 \$	2017 \$
Cash equivalents	163,449	59,421
Fixed income	7,401,035	6,970,830
Canadian equities	6,490,541	6,577,842
US equities	2,465,859	2,483,084
International equities	2,152,372	2,321,722
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	18,673,256	18,412,899
	<hr/>	<hr/>

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

5 Deficit in investment in subsidiary

The Subsidiary commenced operations on March 31, 2017 and is a for-profit taxable corporation that presents financial information in accordance with Canadian accounting standards for private enterprises. 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, 2018

	2018 \$	2017 \$
Balance, April 1	(79,605)	-
Common share of the Subsidiary	-	1
Net income (loss)	57,117	(79,606)
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Balance, March 31	(22,488)	(79,605)

The common share of the Subsidiary in the current year is \$1 (2017 - \$1) and has been included in the investment in subsidiary balance as at April 1, 2018.

	2018 \$	2017 \$
Financial position		
Total assets	1,224,627	1,289,101
Total liabilities	1,713,745	1,835,336
Shareholder's deficiency	489,118	546,235

	2018 \$	2017 \$
Result of operations		
Total income	7,715,273	-
Total expenses	7,658,156	79,606
Net income (loss)	57,117	(79,606)

	2018 \$	2017 \$
Cash provided by (used in)		
Total operating activities	859,531	78,708
Total investing activities	(254,928)	(67,900)
Total financing activities	(205,486)	1
	<hr/>	<hr/>
Net increase in cash	399,117	10,809

6 Investment income

Breakdown of investment income is as follows:

	2018 \$	2017 \$
Investment income	1,697,914	1,624,381
Management fee expense	(111,634)	(101,573)
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	1,586,280	1,522,808

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, 2018

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 \$24,620,998 (2017 - \$4,064,347) 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 \$694,271 (2017 - \$599,279) 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, \$169,340 (2017 - \$250,022) was donated by the legacy 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) 1962835 Ontario Inc.

- 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 Trillium Health Partners Volunteers (THPV) 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 first instalment of \$205,486 paid on March 31, 2018.
- 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	706,638
Donations	550,000
Investment income	93,496
Sponsorship income	29,081

Trillium Health Partners Foundation

Notes to Financial Statements

March 31, 2018

d) 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 volunteers of the Hospital.

THPV utilized 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 the Subsidiary in exchange for a secured promissory note. The secured promissory note was subsequently donated to the Foundation (note 5).

There was no activity in THPV during the year. On April 9, 2018, the Canada Revenue Agency approved the revocation of THPV's registration as a charity for the purposes of the Income Tax Act to take effect as of April 28, 2018.

8 Expense allocation

During the year, \$2,454,602 of salaries and benefits, fundraising and administrative expenses (2017 - \$1,541,728) 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 \$331,230 (2017 - \$310,898) and have been recorded in salaries and benefits expense in the statement of operations and changes in fund balances.

10 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.

11 Commitments

The Foundation has also entered into certain contractual agreements, which primarily relate to IT maintenance service agreements that expire by March 31, 2020. The minimum payments for these agreements for the next two years are as follows:

	\$
2019	110,337
2020	37,940
	<hr/>
	148,277
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