
Financial statements of
St. Michael's Hospital Foundation

March 31, 2018

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Independent Auditor's Report

To the Board of Directors of
St. Michael's Hospital Foundation

We have audited the accompanying financial statements of St. Michael's Hospital Foundation, which comprise the balance sheet as at March 31, 2018, and the statement of revenues and expenses and changes in fund balances and of cash flows for the year then ended, and 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Michael's Hospital 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.

Other matter

The financial statements of the St. Michael's Hospital Foundation for the year ended March 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on May 30, 2017.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 31, 2018

St. Michael's Hospital Foundation

Balance sheet

As at March 31, 2018

Notes	General Fund		Restricted Fund		Endowment Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Assets								
Current assets								
	2,249,147	426,361	4,017,479	2,111,633	1,148,050	1,138,512	7,414,676	3,676,506
	Cash and cash equivalents							
	405,146	540,349	174,849	137,017	998,437	998,437	1,578,432	1,675,803
	Other receivables and prepaid expenses							
4(b)	2,654,293	966,710	4,192,328	2,248,650	2,146,487	2,136,949	8,993,108	5,352,309
	Investments							
3	16,766,723	16,766,723	72,541,749	85,278,643	74,299,432	71,166,587	163,607,904	173,211,953
	19,421,016	17,733,433	76,734,077	87,527,293	76,445,919	73,303,536	172,601,012	178,564,262
Liabilities								
Accounts payable and accrued liabilities								
4(b)	1,079,368	827,682	—	—	—	—	1,079,368	827,682
Deferred revenue								
	225,145	239,014	49,733	739,745	—	—	274,878	978,759
Interfund balances								
	(1,460,597)	(1,183,611)	581,360	338,725	879,237	844,886	—	—
	(156,084)	(116,915)	631,093	1,078,470	879,237	844,886	1,354,246	1,806,441
Fund balances								
General Fund								
	19,577,100	17,850,348	—	—	—	—	19,577,100	17,850,348
Restricted Fund								
4(c)	—	—	76,102,984	86,448,823	—	—	76,102,984	86,448,823
Endowment Fund								
	—	—	—	—	75,566,682	72,458,650	75,566,682	72,458,650
	19,577,100	17,850,348	76,102,984	86,448,823	75,566,682	72,458,650	171,246,766	176,757,821
	19,421,016	17,733,433	76,734,077	87,527,293	76,445,919	73,303,536	172,601,012	178,564,262

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

On behalf of the Board:



_____, Director



_____, Director

St. Michael's Hospital Foundation

Statement of revenues and expenses and changes in fund balances

Year ended March 31, 2018

Notes	General Fund		Restricted Fund		Endowment Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Donations	3,572,306	3,550,011	32,332,668	27,286,916	1,216,328	1,449,295	37,121,302	32,286,222
Bequests	1,343,173	3,495,707	4,085,319	1,789,428	615,896	1,160,462	6,044,388	6,445,597
Events	4,088,796	1,615,230	3,086,720	1,166,808	52,000	—	7,227,516	2,782,038
Investment income	3 1,206,141	2,802,419	—	—	3,142,383	8,739,082	4,348,524	11,541,501
	10,210,416	11,463,367	39,504,707	30,243,152	5,026,607	11,348,839	54,741,730	53,055,358
Expenses								
Fundraising and administrative	4(d), 5 6,849,976	6,165,187	1,931,244	1,514,219	536,502	513,044	9,317,722	8,192,450
Events	1,126,747	288,383	968,405	349,826	—	—	2,095,152	638,209
Investments	108,262	106,276	—	—	252,283	236,536	360,545	342,812
	8,084,985	6,559,846	2,899,649	1,864,045	788,785	749,580	11,773,419	9,173,471
Excess of revenue over expenses before grants	2,125,431	4,903,521	36,605,058	28,379,107	4,237,822	10,599,259	42,968,311	43,881,887
Grants to St. Michael's Hospital	4(d) 232,619	270,000	47,006,957	14,176,066	1,239,790	2,203,980	48,479,366	16,650,046
(Deficiency) excess of revenue over expenses for the year	1,892,812	4,633,521	(10,401,899)	14,203,041	2,998,032	8,395,279	(5,511,055)	27,231,841
Fund balances, beginning of year	17,850,348	13,392,199	86,448,823	71,523,929	72,458,650	64,609,852	176,757,821	149,525,980
Interfund transfers	(166,060)	(175,372)	56,060	721,853	110,000	(546,481)	—	—
Fund balances, end of year	19,577,100	17,850,348	76,102,984	86,448,823	75,566,682	72,458,650	171,246,766	176,757,821

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

St. Michael's Hospital Foundation

Statement of cash flows

Year ended March 31, 2018

	2018	2017
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses for the year	(5,511,055)	27,231,841
Item not affecting cash		
Change in fair value of investments	2,375,273	(6,475,760)
Change in non-cash working capital items		
Other receivables and prepaid expenses	97,371	(184,393)
Accounts payable and accrued liabilities	251,686	12,735
Deferred revenue	(703,881)	569,813
	(3,490,606)	21,154,236
Investing activities		
Purchase of investments - gross proceeds	(48,670,567)	(19,929,223)
Sale of investments - gross proceeds	55,899,343	188,220
	7,228,776	(19,741,003)
Increase in cash and cash equivalents during the year	3,738,170	1,413,233
Cash and cash equivalents, beginning of year	3,676,506	2,263,273
Cash and cash equivalents, end of year	7,414,676	3,676,506
Consisting of		
Cash	6,267,088	2,553,788
Treasury bills	1,147,588	1,122,718
	7,414,676	3,676,506

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

1. Purpose of the organization

The St. Michael's Hospital Foundation (the "Foundation") is incorporated under the laws of Ontario as a corporation without share capital. The Foundation receives, accumulates and distributes funds and/or the income therefrom for the advancement of medical research, education and improvement of patient care at St. Michael's Hospital (the "Hospital").

The Foundation is a public foundation registered under the Income Tax Act (Canada) (the Act) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes under registration number 12296 3663 RR 0001. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. Summary of significant accounting policies

Basis of presentation

The financial statements of the Foundation have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the reporting period. Actual results could differ from those estimates.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

For financial reporting purposes, the Foundation's funds have been classified as follows:

(a) General Fund

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

(b) Restricted Fund

The Restricted Fund reports resources that are to be used for specific purposes as specified by the donor, by internal restrictions or as stipulated by the fundraising appeal.

(c) Endowment Fund

The Endowment Fund reports resources where either donor or internal restrictions require that the principal must be maintained by the Foundation for a specified period of time.

Revenue recognition

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

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments that are readily convertible into known amounts of cash. Interest in respect of the cash equivalents is accrued as earned.

Investments and investment income

Investments are recorded at fair value. Publicly traded securities are valued based on the closing prices and pooled funds are valued based on reported unit values. Investment income represents interest, dividends, and change in fair value.

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

Deferred revenue and prepaid expenses

Deferred revenue represents deposits received in advance for subsequent years' fundraising events. These amounts are recognized as revenue in the period in which the event occurs, together with any associated costs.

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 a prepayment. The related costs are expensed once the event has been held. Such costs are expensed immediately when there is sufficient evidence that the event does not meet the criteria for recognition as a prepayment.

Foreign exchange translation

The cost of investments, revenues and expenses denominated in foreign currencies is translated into Canadian dollars at the transaction date. The fair value of investments and other monetary items denominated in foreign currencies is translated at the year-end date.

Contributed materials and services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty in determining the fair value, these contributed services are not recognized or disclosed in the financial statements and related notes. Contributed materials are recorded, when received, at their fair value.

Financial instruments and risk management

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification below.

Cash and cash equivalents are recorded at fair value.

The investment portfolio of the Foundation is valued at fair value. Changes in the value of the portfolio are reflected in the statement of revenues and expenses and changes in fund balances. Transaction costs related to financial assets are expensed as incurred.

Other receivables and accounts payable and accrued liabilities are measured at amortized cost, which approximates fair value due to the short-term maturity of the instruments.

2. Summary of significant accounting policies (continued)

Financial instruments and risk management (continued)

The financial assets subsequently measured at amortized cost consist of cash and other receivables. The financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities.

The Foundation mitigates the following risks through the use of investment managers for the long-term portfolio investments and by investing other funds in short-term fixed rate products with high credit ratings.

Price risk

The investments of the Foundation are subject to price risk because changing interest rates, market value of the investments and general economic conditions affect the market value of equity, fixed income investments, and currency exchange rate changes impact the market value of the investments denominated in currencies other than the Canadian dollar.

Liquidity risk

The Foundation uses investment managers for the investments it plans to hold for a long period of time. These investments are subject to liquidity risk if the Foundation is required to sell at a time that the market for the investments is unfavourable.

Credit and interest rate risk

It is management's opinion that the Foundation is not exposed to significant interest rate or credit risk from these financial instruments.

3. Investments

Investments consist of the following amounts held in units of various pooled funds, calculated on a unit basis, allocated as follows:

	2018	2017
	\$	\$
Guaranteed Investment Certificates	42,100,800	55,279,290
Pooled funds		
Short-term investments	1,892,941	2,641,043
Government bonds	27,250,397	28,834,213
Corporate bonds	37,026,020	34,017,617
Canadian equities	28,160,376	24,975,321
US equities	11,668,257	13,040,862
International equities	15,509,113	14,423,607
	121,507,104	117,932,663
Aggregate fair value	163,607,904	173,211,953
Aggregate cost	155,583,221	162,811,997

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

3. Investments (continued)

Investment income earned on the Foundation's investments consists of the following:

	<u>2018</u>	<u>2017</u>
	\$	\$
Interest and dividends	6,723,797	5,065,741
Changes in fair value of investments	(2,375,273)	6,475,760
	<u>4,348,524</u>	<u>11,541,501</u>

4. Related party transactions and balances

- (a) The Foundation is an independent corporation without share capital and has an independent board of directors. The Hospital is affiliated with the Foundation as a result of common board members between the two organizations. Furthermore, the Foundation solicits on behalf of and holds investments for the exclusive benefit of the Hospital. The Hospital provides certain services to the Foundation and pays some operating expenses on behalf of the Foundation.
- (b) Included in accounts payable and accrued liabilities is \$37,668 payable (\$62,879 receivable in 2017) to the Hospital. This amount is payable on demand, is non-interest bearing and consists of two components: grants that have not been disbursed to the Hospital and operating expenses incurred by the Foundation that have not yet been repaid.
- (c) The Foundation holds designated funds of \$76,102,984 (\$86,448,824 in 2017), which will be disbursed to the Hospital in the future.
- (d) The Foundation, from time to time, makes payments to the Hospital to fund the purchase of tangible capital assets, research costs and the reimbursement of expenses paid on behalf of the Foundation. During the year, \$54,219,366 (\$21,941,384 in 2017) was paid to the Hospital, of which \$5,740,000 (\$5,291,338 in 2017) was for reimbursement of expenses, \$35,980,405 (\$425,726 in 2017) for capital assets and \$12,498,961 (\$16,224,320 in 2017) for research, trust or other transfers.

5. Pension plan

Employees of the Foundation participate in a contributory defined benefit pension plan sponsored by the Hospital. Contributions made to the plan during the year by the Foundation amounted to \$441,766 (\$352,951 in 2017) and are recorded as part of fundraising and administrative expenses.