

Women's College Hospital Foundation

Financial Statements
March 31, 2021



Independent auditor's report

To the Board of Directors of Women's College Hospital Foundation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Women's College Hospital Foundation (the Foundation) as at March 31, 2021 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.

What we have audited

The Foundation's financial statements comprise:

- the statement of financial position as at March 31, 2021;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.



Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 16, 2021

Women's College Hospital Foundation

Statement of Financial Position

As at March 31, 2021

			2021	2020
	Unrestricted \$	Restricted \$	Total \$	Total \$ (revised – note 12)
Assets				
Current assets				
Cash and cash equivalents	3,717,335	5,350,496	9,067,831	3,551,649
Amounts receivable	76,178	385,862	462,040	155,793
Prepaid expenses	15,483	-	15,483	19,112
Derivative asset (note 4)	-	469,586	469,586	-
	3,808,996	6,205,944	10,014,940	3,726,554
Investments (note 3)	-	57,001,409	57,001,409	48,634,371
Other assets	1	-	1	1
	3,808,997	63,207,353	67,016,350	52,360,926
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 7)	335,540	542,669	878,209	456,708
Derivative liability (note 4)	-	-	-	1,211,913
	335,540	542,669	878,209	1,668,621
Fund Balances				
General fund	3,473,457	-	3,473,457	13,588
Restricted fund	-	62,664,684	62,664,684	50,678,717
	3,473,457	62,664,684	66,138,141	50,692,305
	3,808,997	63,207,353	67,016,350	52,360,926

Comparative information has been changed to comply with current year's presentation.

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

Women's College Hospital Foundation
Statement of Operations and Changes in Fund Balances
For the year ended March 31, 2021

			2021	2020
	Unrestricted	Restricted	Total	Total
	\$	\$	\$	\$
Revenue				
Donations	2,952,707	11,296,448	14,249,155	9,304,577
Bequests	515,005	829,525	1,344,530	1,282,757
Events	417,957	566,575	984,532	872,330
	3,885,669	12,692,548	16,578,217	11,459,664
Net investment income (loss) (note 6)	2,354,333	7,600,282	9,954,615	(1,866,843)
	6,240,002	20,292,830	26,532,832	9,592,821
Expenditures				
Salaries and benefits	3,097,970	23,023	3,120,993	2,993,472
Fundraising costs	931,541	20,941	952,482	1,232,600
Administration	241,134	-	241,134	292,952
	4,270,645	43,964	4,314,609	4,519,024
Excess of revenue over expenditures before grants	1,969,357	20,248,866	22,218,223	5,073,797
Grants (note 8)	-	(6,772,387)	(6,772,387)	(6,272,068)
Excess of revenue over expenditures for the year	1,969,357	13,476,479	15,445,836	(1,198,271)
Fund balances – Beginning of year	13,588	50,678,717	50,692,305	51,890,576
Interfund transfers (note 9)	1,490,512	(1,490,512)	-	-
Fund balances – End of year	3,473,457	62,664,684	66,138,141	50,692,305

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

Women's College Hospital Foundation

Statement of Cash Flows

For the year ended March 31, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	15,445,836	(1,198,271)
Items not affecting cash		
Change in fair value of investments and derivatives (note 6)	(9,480,395)	2,660,349
Investment income reinvested	(443,410)	(718,035)
Gifts of investments	(648,609)	(343,076)
Changes in non-cash working capital items		
Amounts receivable	(306,247)	(49,648)
Prepaid expenses	3,629	150,846
Accounts payable and accrued liabilities	421,501	148,111
Deferred revenue	-	(155,000)
	<hr/> 4,992,305	<hr/> 495,276
Investing activities		
Purchase of investments	(4,569,820)	(2,254,170)
Proceeds from sale of investments	5,313,697	2,452,246
Payments for settlement of derivatives	(220,000)	-
	<hr/> 523,877	<hr/> 198,076
Increase in cash and cash equivalents during the year	5,516,182	693,352
Cash and cash equivalents – Beginning of year	<hr/> 3,551,649	<hr/> 2,858,297
Cash and cash equivalents – End of year	<hr/> <hr/> 9,067,831	<hr/> <hr/> 3,551,649

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

Women's College Hospital Foundation

Notes to Financial Statements

March 31, 2021

1 Nature of operations

Women's College Hospital Foundation (the Foundation) is a corporation without share capital and is incorporated under the laws of the Province of Ontario. The Foundation is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met. The Foundation was established to solicit, receive, manage and distribute funds in respect of the advancement of health science research and education and the improvement of patient care in support of the legislated and strategic priorities of Women's College Hospital (the Hospital).

In carrying out its mission, the Foundation solicits, receives, manages and distributes funds and other property for the benefit and use of the Hospital and other organizations in the community with objectives similar to those of the Hospital.

2 Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The financial statements include the following significant policies.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The financial statements separately disclose the activities of the following funds maintained by the Foundation:

- The Unrestricted Fund reflects the general fundraising, investing, granting and administrative activities and reports on unrestricted resources available for immediate use.

The Unrestricted Fund is used to support Foundation operations and make grants to the Hospital for the highest priority needs of the Hospital. The Unrestricted Fund also includes a transfer from the Restricted Fund of an allocation against restricted purpose gifts. The allocation ensures donors of both Unrestricted and Restricted Funds contribute to the operations of the Foundation.

- The Restricted Fund reflects those resources arising from fundraising, investing, granting and administrative activities, the purpose for which has been internally or externally restricted.
 - Restricted Operating Funds are externally and internally restricted resources and include investment income (loss) generated on Endowment Fund balances.
 - Restricted Endowment Funds are internally and externally restricted resources, which may include an internal or external requirement that the principal must be maintained. Investment income (loss) generated on Endowment Funds is recorded as income (expenditure) within the Restricted Operating Funds.

Women's College Hospital Foundation

Notes to Financial Statements

March 31, 2021

Revenue recognition

Donations are recognized as revenue when received. In cases where the Foundation has entered into a funding agreement with a granting agency, donations are recognized as revenue when earned in accordance with the agreement and collection can be reasonably assured. Unrestricted, restricted and endowment donations are recorded as revenue in the Unrestricted, Restricted and Endowment Funds, respectively. Bequests, which include non-cash property, are recorded at the fair value of the property on the date of receipt by the Foundation. Unrestricted bequests are recorded in the Unrestricted Fund and may be transferred with approval from the Board of Directors to the internally restricted Endowment Fund or other Board Restricted Funds.

Restricted bequests are recorded in the appropriate Restricted or Endowment Fund. Amounts received relating to fundraising events to be held after the year-end are deferred and recognized on completion of the specific fundraising event.

Investment income (loss) generated on Endowment Funds is allocated to the Restricted Operating Fund. Distribution income on pooled funds is recorded when received. Dividend income is recorded when declared. Investment income (loss) earned on Unrestricted and Restricted Operating Funds is allocated to the Unrestricted Operating Fund.

Cash

Cash represents cash on hand and cash at the bank. Restricted cash consists of funds in the restricted fund balances.

Investments

Publicly traded securities are valued based on the closing prices, and pooled funds are valued based on reported unit values. The Foundation's investments are held in a segregated account with a custodian and are managed by an independent investment manager.

Non-marketable investments represent interests in Limited Partnerships (LPs). They are valued based on the Foundation's percentage ownership in each of the LPs, applied to independent quarterly valuations of the underlying LPs. Because these interests are not readily traded, their estimated values are subject to measurement uncertainty.

The fair value of financial derivative instruments (note 4) on initial recognition is normally the transaction price. Subsequent to initial recognition, fair values are estimated based on foreign exchange rates at the reporting date. The resulting change in the fair value of derivative assets and liabilities is included within investment income (note 3). The estimated value of derivative instruments resulting in derivative assets and liabilities is, by its very nature, subject to measurement uncertainty.

Other assets

The Foundation has registered the trademark Women's College Hospital Foundation which has been valued at a nominal amount.

Women's College Hospital Foundation

Notes to Financial Statements

March 31, 2021

Contributed services

Volunteers make a substantial contribution of time each year to assist the Foundation in carrying out its activities. Due to the difficulty in determining the fair value of such services, they are not recognized in these financial statements.

Financial assets and financial liabilities

The Foundation initially measures its financial assets and financial liabilities at fair value. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, with the exception of investments, which have been measured at fair value as described in this note. Changes in fair value are recognized in the statement of operations and changes in fund balances. Financial assets are tested for impairment at the end of each reporting period when there are indicators the assets may be impaired.

Financial assets and financial liabilities measured at amortized cost include cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities.

Use of estimates

The financial statements of the Foundation have been prepared by management in accordance with ASNPO, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenue and expenditures for the reporting period. Actual results could differ from those estimates.

3 Investments

The Foundation's investments are as follows:

	2021	2020
	\$	\$ (revised – note 12)
Cash equivalents	1,054,573	1,132,313
Pooled funds		
Canadian equity	6,489,004	5,174,605
Global equity	19,860,686	18,932,025
Fixed income	18,760,188	13,474,860
Alternative pooled funds	4,766,588	4,600,437
Non-marketable investments	6,070,370	5,320,131
	<u>55,946,836</u>	<u>47,502,058</u>
	<u>57,001,409</u>	<u>48,634,371</u>

As at March 31, 2021, the unfunded commitments related to non-marketable investments was \$4,862,618 (USD3,870,895) (2020 – \$4,325,033 (USD3,448,990)).

Women's College Hospital Foundation

Notes to Financial Statements

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Comparative information included in the above table has been changed to comply with current year's presentation.

4 Derivatives

In order to mitigate currency risk associated with investments in USD denominated securities, the Foundation periodically enters into currency forward contracts. The market value of these contracts at year-end is determined based on the prevailing USD/CAD foreign exchange rate and is reflected as either a derivative asset or derivative liability within the statement of financial position.

As at March 31, 2021, the Foundation recognized a derivative asset relating to a forward foreign exchange contract with a market value of \$469,586 (2020 – liability of \$1,211,913).

The following tables summarize the Foundation's commitment to sell US dollars for Canadian dollars under foreign exchange forward contracts as at March 31:

	2021		
	Exchange rate	Maturity date	Fair value \$
Notional amount USD13,860,871	1.29	May 5, 2021	469,586

	2020		
	Exchange rate	Maturity date	Fair value \$
Notional amount USD12,705,798	1.31	May 7, 2020	(1,211,913)

5 Pledges

Pledges of future donations are recorded as donations in the financial statements when payment is received. As at March 31, 2021, total outstanding pledges are \$14,194,138 (2020 – \$16,673,951), which are receivable in future years.

Women's College Hospital Foundation

Notes to Financial Statements

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6 Net investment income (loss)

	2021 \$	2020 \$
Interest income	30,810	75,471
Distributions from pooled funds	443,410	718,035
Change in fair value of investments including derivatives	9,480,395	(2,660,349)
Net investment income (loss)	<u>9,954,615</u>	<u>(1,866,843)</u>

Investment income is net of investment management fees of \$278,662 (2020 – \$251,151).

7 Related party transactions

The Hospital is an independent corporation without share capital and with its own board of directors. The Hospital is affiliated with the Foundation as a result of some board members in common between the two organizations.

The Hospital provides certain services to the Foundation and pays some expenses, including payroll, on behalf of the Foundation. The Foundation reimburses the Hospital for all direct costs associated with the services provided and expenses paid.

As at March 31, 2021, \$547,411 was owed by the Foundation to the Hospital and is included in accounts payable and accrued liabilities. In 2020, \$76,837 was owed by the Hospital to the Foundation and was included in accounts receivable.

8 Grants

	<u>2021</u>		<u>2020</u>	
	Unrestricted \$	Restricted \$	Total \$	Total \$
Grants paid to the Hospital				
Research grants	-	3,660,609	3,660,609	3,616,053
Capital projects and education	-	3,111,778	3,111,778	2,656,015
	<u>-</u>	<u>6,772,387</u>	<u>6,772,387</u>	<u>6,272,068</u>

As at March 31, 2021, there were no unrestricted grants (2020 – \$nil).

Women's College Hospital Foundation

Notes to Financial Statements

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9 Restricted Funds

	2021			2020	
	Endowment				
	Operating \$	Internal \$	External \$	Total \$	Total \$
Revenue					
Donations	12,439,111	-	253,437	12,692,548	9,089,980
Investment income (loss)	7,600,282	-	-	7,600,282	(1,757,751)
	20,039,393	-	253,437	20,292,830	7,332,229
Expenditures	(43,964)	-	-	(43,964)	(20,118)
Excess of revenue over expenditures before grants	19,995,429	-	253,437	20,248,866	7,312,111
Grants	(6,772,387)	-	-	(6,772,387)	(6,272,068)
Excess of revenue over expenditures for the year	13,223,042	-	253,437	13,476,479	1,040,043
Fund balances – Beginning of year	16,182,115	4,035,570	30,461,032	50,678,717	51,094,576
Board designations					
Capital preservation (a)	(695,300)	80,800	614,500	-	-
Donor endowed funds (b)	(296,000)	-	296,000	-	-
Board endowed funds (c)	(34,500)	-	-	(34,500)	(24,000)
Interfund transfers					
Allocation (d)	(1,443,613)	-	(12,399)	(1,456,012)	(1,431,902)
Fund balances – End of year	26,935,744	4,116,370	31,612,570	62,664,684	50,678,717

- a) In years when investment income is realized, the Foundation has a policy to preserve the real value of the Endowment Funds by annually increasing the capital with an amount approximately equal to the rate of inflation for the year then ended. In 2021, the board determined an inflation rate of 2% (2020 – nil%) and authorized a transfer of \$695,300 from the Restricted Operating Fund to the Endowment Funds (2020 – \$nil).
- b) Endowment of previous contributions to support established education and chair endowment funds.
- c) Represents an allocation from the board endowment fund to the unrestricted funds.
- d) The Interfund transfer represents an allocation of 5% – 12.5% of eligible restricted donations received in the year and 1% of endowment capital under management transferred from the Restricted Operating Fund to the Unrestricted Operating Fund. Both allocations are made in accordance with the Foundation's allocation policy.

Women's College Hospital Foundation

Notes to Financial Statements

March 31, 2021

10 Financial risk management

The main risks to which the Foundation's financial instruments are exposed are as follows:

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk primarily through its investments and cash with various financial institutions (note 3). Management considers the credit risk to be low as the Foundation only places its investments with reputable and financially stable organizations.

Liquidity risk

The Foundation believes it has moderate to low liquidity risk given the composition of its accounts payable and accrued liabilities.

The Foundation has a revolving line of credit with a Canadian chartered bank secured by investments held. Maximum borrowings under the agreement are \$3,000,000 (2020 – \$3,000,000). Interest on any borrowings is calculated at the bank's prime rate. As at March 31, 2021, the outstanding balance under the line of credit is \$nil (2020 – \$nil).

Market risk

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Foundation to a risk of loss.

Currency risk

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation's investments include non-Canadian equities, the value of which fluctuates in part due to changes in foreign exchange rates. The international equity pooled fund holds assets and liabilities denominated in currencies other than Canadian dollars and this fund is therefore directly exposed to currency risk as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Foundation enters into foreign exchange forward contracts to mitigate currency risk relating to its non-Canadian investments (note 4).

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Foundation.

To manage these risks, the Foundation has established investment policies, which include a target mix of investment types and concentration limits designed to achieve an appropriate return within reasonable risk tolerances.

Women's College Hospital Foundation

Notes to Financial Statements

March 31, 2021

11 Impact of COVID-19

The outbreak of the coronavirus pandemic has resulted in governments worldwide enacting emergency measures to control the spread of the virus. As a result, these events have had an impact on the Foundation, including disruptions and restrictions on an employee's ability to work from within the hospital. However, no significant impacts were noted during the year on the fair value of the Foundation's investments and on the revenue raised by the Foundation.

As the situation continues to evolve rapidly, the Foundation is unable to quantify the potential impact this pandemic may have on its future operations and financial statements.

12 Revision of prior period balances

The Foundation has revised the March 31, 2020 financial statements to separately present a derivative liability (note 4), which was previously presented within investments. The investment balances as at March 31, 2020 in note 3 have also been amended to reflect this. There was no impact of this revision on the statement of operations and changes in fund balances or in the statement of cash flows.

The revisions have resulted in the following changes to the statement of financial position as at March 31, 2020.

	Previously reported \$	Adjustment \$	Adjusted amount \$
Investments	47,422,458	1,211,913	48,634,371
Derivative liability	-	1,211,913	1,211,913