

Women's College Hospital Foundation

Financial Statements
March 31, 2018



June 11, 2018

Independent Auditor's Report

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

We have audited the accompanying financial statements of Women's College Hospital 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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"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 Women's College 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Women's College Hospital Foundation

Statement of Financial Position

As at March 31, 2018

	2018			2017
	Unrestricted \$	Restricted \$	Total \$	Total \$
Assets				
Current assets				
Cash and cash equivalents	251,673	1,322,000	1,573,673	1,744,772
Amounts receivable	189,495	-	189,495	62,750
Prepaid expenses	179,398	-	179,398	3,452
	620,566	1,322,000	1,942,566	1,810,974
Investments (note 3)	562,925	46,122,087	46,685,012	45,973,932
Other assets	1	-	1	1
	1,183,492	47,444,087	48,627,579	47,784,907
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 6)	429,539	-	429,539	688,761
Deferred revenue	-	340,951	340,951	5,000
	429,539	340,951	770,490	693,761
Fund Balances				
General fund	753,953	-	753,953	606,321
Restricted fund	-	47,103,136	47,103,136	46,484,825
	753,953	47,103,136	47,857,089	47,091,146
	1,183,492	47,444,087	48,627,579	47,784,907

Approved by the Board of Directors



Director



Director

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, 2018

	2018			2017
	Unrestricted \$	Restricted \$	Total \$	Total \$
Revenues				
Donations	1,059,088	10,676,191	11,735,279	9,806,694
Bequests	1,084,305	333,570	1,417,875	641,177
Events	23,595	1,074,660	1,098,255	764,585
	2,166,988	12,084,421	14,251,409	11,212,456
Investment income (note 5)	844,096	1,790,586	2,634,682	4,471,013
	3,011,084	13,875,007	16,886,091	15,683,469
Expenditures				
Salaries and benefits	2,301,336	404,585	2,705,921	2,739,454
Fundraising costs	815,027	411,341	1,226,368	1,026,471
Administration	467,003	-	467,003	264,250
	3,583,366	815,926	4,399,292	4,030,175
Excess (deficiency) of revenues over expenditures before grants	(572,282)	13,059,081	12,486,799	11,653,294
Grants (note 7)	(190,000)	(11,530,856)	(11,720,856)	(6,881,684)
Excess (deficiency) of revenues over expenditures for the year	(762,282)	1,528,225	765,943	4,771,610
Fund balances - Beginning of year	606,321	46,484,825	47,091,146	42,319,536
Interfund transfers (note 8)	909,914	(909,914)	-	-
Fund balances - End of year	753,953	47,103,136	47,857,089	47,091,146

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, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenditures for the year	765,943	4,771,610
Items not affecting cash		
Change in fair value of investments (note 5)	(1,137,064)	(3,366,618)
Investment income reinvested	(1,497,620)	(1,104,395)
Changes in non-cash working capital items		
Amounts receivable	(126,745)	(17,606)
Prepaid expenses	(175,946)	(2,577)
Accounts payable and accrued liabilities	(259,222)	134,703
Deferred revenue	335,951	(5,000)
	<u>(2,094,703)</u>	<u>410,117</u>
Investing activities		
Purchase of investments	(1,855,000)	(376,855)
Proceeds from sale of investments	<u>3,778,604</u>	<u>206,507</u>
	<u>1,923,604</u>	<u>(170,348)</u>
Increase (decrease) in cash and cash equivalents during the year	<u>(171,099)</u>	<u>239,769</u>
Cash and cash equivalents - Beginning of year	<u>1,744,772</u>	<u>1,505,003</u>
Cash and cash equivalents - End of year	<u>1,573,673</u>	<u>1,744,772</u>

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

Women's College Hospital Foundation

Notes to Financial Statements

March 31, 2018

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, 2018

Revenue recognition

Donations are recognized as revenues when received. 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

Investments are recorded at quoted market values. The fair values of the units are based on the quoted market values of the securities held by the funds and provided by the administrator of the pooled funds. The Foundation's investments are held in a segregated account with a custodian and are managed by an independent investment manager.

Other assets

The Foundation has various trademark registrations, including Women's College Hospital, Women's Health Matters, Women's Telehealth Network, Spirit of Life, the H design and the Spirit of Love circle design, which have been valued at a nominal amount.

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.

Women's College Hospital Foundation

Notes to Financial Statements

March 31, 2018

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 revenues and expenditures for the reporting period. Actual results could differ from those estimates.

3 Investments

The Foundation's investments are as follows:

	2018 \$	2017 \$
Cash equivalents	2,851,968	1,726,406
Pooled funds		
Fixed income	7,555,355	13,974,577
Canadian equity	15,959,536	7,240,807
Global equity	20,318,153	23,032,142
	43,833,044	44,247,526
	46,685,012	45,973,932

4 Pledges

Pledges of future donations are recorded as donations in the financial statements when payment is received. As at March 31, 2018, total outstanding pledges are \$17,294,652 (2017 - \$20,130,149), which are receivable in future years.

Women's College Hospital Foundation

Notes to Financial Statements

March 31, 2018

5 Investment income

	2018 \$	2017 \$
Interest income	68,603	36,431
Distributions from pooled funds	1,429,015	1,067,964
Change in fair value of investments	1,137,064	3,366,618
Net investment income	2,634,682	4,471,013

6 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, 2018, advance payments to the Hospital in the amount of \$165,735 are included as a prepaid expense. In 2017, \$261,356 was owed by the Foundation to the Hospital and was included in accounts payable and accrued liabilities.

7 Grants

	2018			2017
	Unrestricted \$	Restricted \$	Total \$	Total \$
Grants paid to the Hospital				
Research grants	-	2,348,635	2,348,635	2,182,326
Capital projects and education	190,000	3,182,221	3,372,221	4,699,358
	190,000	5,530,856	5,720,856	6,881,684
Grant paid to Canadian Cancer Society	-	6,000,000	6,000,000	-
	190,000	11,530,856	11,720,856	6,881,684

Unrestricted grants include a grant in lieu of occupancy and service costs of \$100,000 (2017 - \$184,659).

Women's College Hospital Foundation

Notes to Financial Statements

March 31, 2018

8 Restricted Funds

	2018			2017
	Endowment			
	Operating \$	Internal \$	External \$	Total \$
Revenues				
Donations	12,059,664	-	24,757	12,084,421
Investment income	1,790,586	-	-	1,790,586
	13,850,250	-	24,757	13,875,007
Expenditures	(815,926)	-	-	(815,926)
Excess of revenues over expenditures before distributions	13,034,324	-	24,757	13,059,081
Grants	(11,530,856)	-	-	(11,530,856)
Excess of revenues over expenditures for the year	1,503,468	-	24,757	1,528,225
Fund balances - Beginning of year	14,323,760	3,501,070	28,659,995	46,484,825
Board designations				
Capital preservation (a)	(653,000)	77,300	575,700	-
Donor endowed funds (b)	(210,000)	-	210,000	-
Board endowed funds (c)	(261,000)	361,000	-	100,000
Interfund transfers				
Allocation (d)	(1,008,776)	-	(1,138)	(1,009,914)
Fund balances - End of year	13,694,452	3,939,370	29,469,314	46,484,825

- 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 2018, the Board determined a 2% rate of inflation (2017 - 2%) and authorized a transfer of \$653,000 (2017 - \$619,700) from the Restricted Operating Fund to the Endowment Funds.
- Endowment of previous contributions to support established education and chair endowment funds.
- Endowment of income earned on board endowed funds and an allocation of unrestricted funds to the board endowment fund.
- Interfund transfers represent an allocation of 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.

Women's College Hospital Foundation

Notes to Financial Statements

March 31, 2018

9 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 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.

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 has a hedging policy to mitigate this risk.

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 the optimum return within reasonable risk tolerances.