

**Women's College Hospital
Foundation**

Financial Statements
March 31, 2019



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, 2019 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, 2019;
- 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 a summary of significant accounting policies.

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.

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.

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.

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

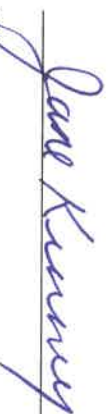
Toronto, Ontario

June 7, 2019

Women's College Hospital Foundation
Statement of Financial Position
As at March 31, 2019

	2019		2018	
	Unrestricted \$	Restricted \$	Total \$	Total \$
Assets				
Current assets				
Cash	983,493	1,874,804	2,858,297	1,573,673
Amounts receivable	106,145	-	106,145	189,495
Prepaid expenses	169,958	-	169,958	179,398
	<u>1,259,596</u>	<u>1,874,804</u>	<u>3,134,400</u>	<u>1,942,566</u>
Investments (note 3)	-	49,219,772	49,219,772	46,685,012
Other assets	1	-	1	1
	<u>1,259,597</u>	<u>51,094,576</u>	<u>52,354,173</u>	<u>48,627,579</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 6)	308,597	-	308,597	429,539
Deferred revenue	155,000	-	155,000	340,951
	<u>463,597</u>	<u>-</u>	<u>463,597</u>	<u>770,490</u>
Fund Balances				
General fund	796,000	-	796,000	753,953
Restricted fund	-	51,094,576	51,094,576	47,103,136
	<u>796,000</u>	<u>51,094,576</u>	<u>51,890,576</u>	<u>47,857,089</u>
	<u>1,259,597</u>	<u>51,094,576</u>	<u>52,354,173</u>	<u>48,627,579</u>

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, 2019

	2019		2018	
	Unrestricted \$	Restricted \$	Total \$	Total \$
Revenues				
Donations	1,058,962	8,216,999	9,275,961	11,735,279
Bequests	507,208	603,856	1,111,064	1,417,875
Events	460,140	1,636,571	2,096,711	1,098,255
	2,026,310	10,457,426	12,483,736	14,251,409
Investment income (note 5)	707,051	1,666,876	2,373,927	2,634,682
	2,733,361	12,124,302	14,857,663	16,886,091
Expenditures				
Salaries and benefits	2,808,804	-	2,808,804	2,705,921
Fundraising costs	876,120	461,949	1,338,069	1,226,368
Administration	255,460	-	255,460	467,003
	3,940,384	461,949	4,402,333	4,399,292
Excess (deficiency) of revenues over expenditures before grants	(1,207,023)	11,662,353	10,455,330	12,486,799
Grants (note 7)	(198,000)	(6,223,843)	(6,421,843)	(11,720,856)
Excess (deficiency) of revenues over expenditures for the year	(1,405,023)	5,438,510	4,033,487	765,943
Fund balances – Beginning of year	753,953	47,103,136	47,857,089	47,091,146
Interfund transfers (note 8)	1,447,070	(1,447,070)	-	-
Fund balances – End of year	796,000	51,094,576	51,890,576	47,857,089

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, 2019

	2019	2018
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenditures for the year	4,033,487	765,943
Items not affecting cash		
Change in fair value of investments (note 5)	(1,026,488)	(1,137,064)
Investment income reinvested	(1,263,272)	(1,429,016)
Gifts of investments	(654,196)	(1,845,587)
Changes in non-cash working capital items		
Amounts receivable	83,350	(126,745)
Prepaid expenses	9,440	(175,946)
Accounts payable and accrued liabilities	(120,942)	(259,222)
Deferred revenue	(185,951)	335,951
	<u>875,428</u>	<u>(3,871,686)</u>
Investing activities		
Purchase of investments	(2,370,000)	(3,368,715)
Proceeds from sale of investments	2,779,196	7,069,302
	<u>409,196</u>	<u>3,700,587</u>
Increase (decrease) in cash during the year	1,284,624	(171,099)
Cash – Beginning of year	1,573,673	1,744,772
Cash – End of year	<u>2,858,297</u>	<u>1,573,673</u>

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

Women's College Hospital Foundation

Notes to Financial Statements

March 31, 2019

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, 2019

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, 2019

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:

	2019	2018
	\$	\$
Cash equivalents	348,553	2,851,968
Pooled funds		
Fixed income	17,905,251	15,959,536
Canadian equity	7,268,662	7,555,355
Global equity	23,697,306	20,318,153
	48,871,219	43,833,044
	<u>49,219,772</u>	<u>46,685,012</u>

4 Pledges

Pledges of future donations are recorded as donations in the financial statements when payment is received. As at March 31, 2019, total outstanding pledges are \$17,625,702 (2018 – \$17,294,652), which are receivable in future years.

Women's College Hospital Foundation

Notes to Financial Statements

March 31, 2019

5 Investment income

	2019 \$	2018 \$
Interest income	84,167	68,603
Distributions from pooled funds	1,263,272	1,429,015
Change in fair value of investments	1,026,488	1,137,064
Net investment income	<u>2,373,927</u>	<u>2,634,682</u>

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, 2019, \$24,159 was owed by the Foundation to the Hospital and is included in accounts payable and accrued liabilities. In 2018, \$165,735 was advanced by the Foundation to the Hospital and was included as a prepaid expense.

7 Grants

	2019		2018	
	Unrestricted \$	Restricted \$	Total \$	Total \$
Grants paid to the Hospital	-	3,162,194	3,162,194	2,348,635
Research grants	198,000	3,061,649	3,259,649	3,372,221
Capital projects and education	198,000	6,223,843	6,421,843	5,720,856
Grant paid to Canadian Cancer Society	-	-	-	6,000,000
	<u>198,000</u>	<u>6,223,843</u>	<u>6,421,843</u>	<u>11,720,856</u>

Unrestricted grants include a grant in lieu of occupancy and service costs of \$108,000 (2018 – \$100,000).

Women's College Hospital Foundation

Notes to Financial Statements

March 31, 2019

8 Restricted Funds

	Endowment				Total \$	Total \$
	Operating \$	Internal \$	External \$	Total \$		
					2019	2018
Revenues						
Donations	10,125,913	-	331,513	10,457,426	12,084,421	
Investment income	1,666,876	-	-	1,666,876	1,790,586	
Expenditures	11,792,789	-	331,513	12,124,302	13,875,007	
	(461,949)	-	-	(461,949)	(815,926)	
Excess of revenues over expenditures before Grants	11,330,840	-	331,513	11,662,353	13,059,081	
	(6,223,843)	-	-	(6,223,843)	(11,530,856)	
Excess of revenues over expenditures for the year	5,106,997	-	331,513	5,438,510	1,528,225	
Fund balances – Beginning of year	13,694,452	3,939,370	29,469,314	47,103,136	46,484,825	
Board designations	(672,000)	79,000	593,000	-	-	
Capital preservation (a)	(51,023)	-	51,023	-	-	
Donor endowed funds (b)	(17,200)	17,200	-	-	100,000	
Board endowed funds (c)						
Interfund transfers						
Allocation (d)	(1,430,549)	-	(16,521)	(1,447,070)	(1,009,914)	
Fund balances – End of year	16,630,677	4,035,570	30,428,329	51,094,576	47,103,136	

- 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 2019, the Board determined a 2% rate of inflation (2018 – 2%) and authorized a transfer of \$672,000 (2018 – \$653,000) from the Restricted Operating Fund to the Endowment Funds.
- b) Endowment of previous contributions to support established education and chair endowment funds.
- c) Endowment of income earned on board endowed funds and an allocation of unrestricted funds to the board endowment fund.
- d) Interfund transfers represent an allocation of 12.5% of eligible donations to the restricted operating fund and 5% of donations to donor (external) endowed funds received during 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, 2019

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 optimize the return within the Foundation's risk tolerances.

10 Comparative figures

Certain comparative amounts have been restated to correspond to the current year's presentation. In particular, the amounts disclosed as purchases of investments of \$1,513,715 and proceeds from sale of investments of \$3,290,698 in investing activities in the statement of cash flows have been added, and investment income reinvested of \$68,604 has been added and gifts from investments of \$1,845,857 has been deducted in operating activities in the statement of cash flows.