
Financial statements of Providence Healthcare Foundation

March 31, 2019

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Independent Auditor's Report

To the Board of Directors of
Providence Healthcare Foundation

Opinion

We have audited the financial statements of Providence Healthcare Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and changes in fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 GAAS 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 GAAS, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 26, 2019

Providence Healthcare Foundation

Balance sheet

As at March 31, 2019

	Notes	2019	2018
		\$	\$
Assets			
Cash		2,947,784	1,573,274
Investments	3	6,525,220	6,124,821
Receivables		34,459	39,399
Prepaid expenses		100,604	111,411
		9,608,067	7,848,905
Liabilities			
Accounts payable and accrued liabilities		41,654	52,506
Deferred revenue		250,025	219,650
Due to Unity Health Toronto - Providence Healthcare site	6(a)	103,291	77,901
		394,970	350,057
Fund balances			
Unrestricted Fund		2,428,992	1,062,959
Restricted Fund	4(b) and (c)	1,233,133	1,015,256
Endowment Fund	4(a) and (b)	5,550,972	5,420,633
		9,213,097	7,498,848
		9,608,067	7,848,905

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

On behalf of the Board

 _____, Director

 _____, Director

Providence Healthcare Foundation
Statement of operations and changes in fund balances
Year ended March 31, 2019

	Notes	Unrestricted Fund		Restricted Fund		Endowment Fund		Total	
		2019	2018	2019	2018	2019	2018	2018	
		\$	\$	\$	\$	\$	\$	\$	
Revenue									
Donations	4(b)	922,420	310,813	2,114,469	2,955,018	3,937	36,750	3,040,826	3,302,581
Events	5	1,908,253	1,593,962	160,121	100,172	4,150	9,050	2,072,524	1,703,184
Investment income		213,210	97,885	188,481	108,374	84,781	—	486,472	206,259
		3,043,883	2,002,660	2,463,071	3,163,564	92,868	45,800	5,599,822	5,212,024
Expenses									
Salaries and benefits	6(c)	1,131,050	1,024,827	—	—	—	—	1,131,050	1,024,827
General, administrative and other		285,978	261,057	127,539	134,273	—	—	413,517	395,330
Events	5	448,204	455,919	—	—	—	—	448,204	455,919
		1,865,232	1,741,803	127,539	134,273	—	—	1,992,771	1,876,076
Excess of revenue over expenses before grants		1,178,651	260,857	2,335,532	3,029,291	92,868	45,800	3,607,051	3,335,948
Grants to Unity Health Toronto - Providence Healthcare site	6(b)	—	255,000	1,892,802	2,563,969	—	—	1,892,802	2,818,969
Excess of revenue over expenses and grants for the year		1,178,651	5,857	442,730	465,322	92,868	45,800	1,714,249	516,979
Fund balances, beginning of year		1,062,959	826,271	1,015,256	780,765	5,420,633	5,374,833	7,498,848	6,981,869
Interfund transfers	4(b) and 7	187,382	230,831	(224,853)	(230,831)	37,471	—	—	—
Fund balances, end of year		2,428,992	1,062,959	1,233,133	1,015,256	5,550,972	5,420,633	9,213,097	7,498,848

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

Providence Healthcare Foundation**Statement of cash flows**

Year ended March 31, 2019

	2019	2018
Notes	\$	\$
Operating activities		
Excess of revenue over expenses and grants for the year	1,714,249	516,979
Item not affecting cash		
Change in fair value of investments	(205,626)	80,980
Change in non-cash working capital items		
Receivables	4,940	(3,197)
Prepaid expenses	10,807	(61,161)
Accounts payable and accrued liabilities	(10,852)	37,990
Deferred revenue	30,375	90,525
Due to Unity Health Toronto - Providence Healthcare site	25,390	(14,049)
	1,569,283	648,067
Investing activity		
Purchase of investments, net	(194,773)	(381,031)
Net increase in cash during the year	1,374,510	267,036
Cash, beginning of year	1,573,274	1,306,238
Cash, end of year	2,947,784	1,573,274

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

Providence Healthcare Foundation

Notes to the financial statements

March 31, 2019

1. Purpose

Providence Healthcare Foundation (the "Foundation") is a public foundation incorporated as a corporation without share capital under the *Corporations Act* (Ontario). The Foundation is registered as a charitable organization under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The purpose of the Foundation is to raise funds for the capital and other needs of the Providence Healthcare site of Unity Health Toronto (hereafter referred to as "Providence Healthcare"), and to provide financial support for health care and research initiatives at Providence Healthcare.

The Members of the Foundation shall consist of the elected Directors of the Foundation.

2. Summary of significant accounting policies

The financial statements of the Foundation are prepared in accordance with Part III of the *CPA Canada Handbook-Accounting*, ("CPA Canada"), which sets out Canadian accounting standards for not-for-profit organizations. The significant accounting policies are summarized below:

Fund accounting

The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purposes for which they were provided. For financial reporting purposes, the Foundation's funds have been classified as follows:

The Unrestricted Fund accounts for the Foundation's general fundraising, granting and administrative activities and reports unrestricted funds available for any purpose of the Foundation.

The Restricted Fund comprises externally restricted funds that are to be used for specific purposes as specified by the donor.

The Endowment Fund comprises funds to be maintained in perpetuity as specified by the donors or the Board of Directors.

Financial instruments

Investments reported at fair value consist of publicly traded equities, investments in pooled and segregated funds and fixed income securities. Transaction costs are recognized in the statement of operations and changes in fund balances in the period during which they are incurred.

All transactions are recorded on a trade date basis.

Other financial instruments, including accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost.

Included in investments is cash held by an outside professional money manager for purposes of investing.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Unrestricted contributions are recognized as revenue in the Unrestricted Fund when the amount is received. Donor-restricted contributions for specific purposes are recognized as revenue of the Restricted Fund when received, unless the capital is to be maintained in perpetuity, in which case the contributions are recognized as revenue of the Endowment Fund. Bequests are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received since pledges are not legally enforceable claims.

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Investment income consists of interest, dividends, income distributions from pooled and segregated funds, and realized and unrealized gains and losses. Investment income earned on the donor restricted Endowment Fund resources up to a maximum of 5% of the opening fair value of these endowment net assets is recognized as revenue of the Restricted Fund. Investment income in excess of this amount is recognized as revenue of the Endowment Fund. Income earned on internally restricted Endowment Fund resources, Restricted Fund and Unrestricted Fund resources are unrestricted and recognized as revenue of the Unrestricted Fund. Investment losses are allocated in a manner consistent with investment income.

The Foundation recognizes revenue for events on the date of the event or as received after the event. Any funds received prior to an event are recorded as deferred revenue.

Grants

Grants are recorded and payable when approved by the Board of Directors.

Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the transaction date. The market values of investments and other monetary items denominated in foreign currencies are translated at the year-end rate. Translation gains and losses are recorded in the statement of operations and changes in fund balances.

Contributed goods and services

The value of goods and services contributed to the Foundation is generally not ascertainable and, therefore, not reflected in these financial statements.

3. Investments

All investments are managed by an outside professional money manager and held in custody by a Canadian chartered bank. The investment portfolio is managed in accordance with the Foundation's investment policy.

(a) Long-term investments

	Cost	2019 Market value	Cost	2018 Market value
	\$	\$	\$	\$
Investment portfolio				
Units in pooled funds				
Bonds	2,215,205	2,197,940	2,255,909	2,212,064
Equities				
Canadian	1,854,108	2,177,171	1,667,605	1,875,378
US and other foreign	1,740,129	2,111,093	1,621,671	1,928,879
	5,809,442	6,486,204	5,545,185	6,016,321
Cash	39,016	39,016	108,500	108,500
	5,848,459	6,525,220	5,653,685	6,124,821

3. Investments (continued)

(b) *Interest and other investment income*

	2019	2018
	\$	\$
Realized investment gains	39,485	79,336
Interest, dividends and other investment income	199,866	184,369
Change in fair value of investments	205,626	(80,980)
Total investment portfolio income	444,977	182,725
Interest earned on general bank account	41,495	23,534
	486,472	206,259

4. Restricted and endowment funds

a) The Endowment Fund consists of the following:

	2019	2018
	\$	\$
Houses of Providence		
Donations	2,815,127	2,812,690
Board endowed	805,207	805,207
Investment income	769,685	677,508
	4,390,019	4,295,405
Staff Education		
Donations	255,288	249,638
Board endowed	813,410	813,410
Investment income	92,255	62,180
	1,160,953	1,125,228
Total Endowment Funds		
Donations	3,070,415	3,062,328
Board endowed	1,618,617	1,618,617
Investment income	861,940	739,688
	5,550,972	5,420,633

In 2007, the Foundation began fundraising for a \$5,000,000 endowment fund in support of the Houses of Providence. Outstanding pledges totalling \$861,488 will be recorded as revenue as they are received over the next five years.

In 2015, the Foundation began fundraising for a \$1,000,000 endowment fund in support of staff education. In 2019, the Board of Directors designated \$ nil (\$Nil in 2018) of unrestricted bequests to this endowment fund.

4. Restricted and endowment funds (continued)

- b) The Foundation has adopted a capital preservation policy. The policy has the objective of protecting the real value of the endowments by limiting the amount of income made available for granting and requiring the reinvestment of any income earned in excess of this limit. The amount of income currently made available for granting is based on 5% of the opening fair value of the endowment net assets. In any particular year, should investment income be insufficient to fund the amount to be made available for granting, or the investment return is negative, the amount is funded by a transfer from the Endowment or Unrestricted Fund.

In 2019, investment income of \$273,183 was earned on investments held for the externally endowed portion of endowment funds. Investment income of \$188,402 was made available for granting and recognized as revenue in the Restricted Fund. The amount earned in excess of the amount available for granting is \$84,781 represents preservation of capital and was recognized as revenue in the Endowment Fund. Investment income of \$120,740 was earned on the internally endowed portion of endowment net assets and was recognized as revenue in the Unrestricted Fund. The amount of \$83,269 (Note 7) was made available for granting and transferred to the Restricted Fund, with the remaining \$37,471 (Note 7) representing preservation of capital, being transferred to the Endowment Fund. Total investment income recognized in the Endowment Fund for 2019 is \$ 122,252 (\$Nil in 2018) bringing accumulated investment income in 2019 to \$ 861,939 (\$739,688 in 2018).

In 2018, investment income of \$nil was earned on investments held for the externally endowed portion of endowment funds. Investment income of \$107,426 was made available for granting and recognized as revenue in the Restricted Fund. The amount earned in excess of the amount available for granting is \$nil. Investment income of \$56,156 was earned on the internally endowed portion of endowment net assets and was recognized as revenue in the Unrestricted Fund. This amount of \$56,156 (Note 7) was made available for granting and transferred to the Restricted Fund. Total investment income recognized in the Endowment Fund for 2018 is \$nil (\$291,030 in 2017) bringing accumulated investment income in 2018 to \$739,688 (\$739,688 in 2017).

- c) On September 19, 2012, the Foundation's Board of Directors approved a \$16 million Capital Campaign, the Hope Starts Here campaign, to support:
- (i) a physical transformation of the six hospital inpatient rehabilitation units;
 - (ii) relocation of the palliative care program; and
 - (iii) the creation of a knowledge centre and a related education fund.

Up to March 31, 2019, the Foundation's Board of Directors has approved grants and created endowments totaling \$14.3 million (\$13.7 million up to 2018) from the Restricted Fund and Unrestricted Fund for the Hope Starts Here campaign, which have been granted to Providence Healthcare in 2019 and prior years.

Providence Healthcare Foundation
Notes to the financial statements
March 31, 2019

5. Events

During the year, the Foundation held the following events:

	Revenue	Expenses	2019 Net
	\$	\$	\$
Silver Ball	1,434,598	236,394	1,198,204
Cuisine & Cuvée	337,690	147,826	189,864
Providence Golf Classic	283,205	63,945	219,260
Other	17,031	39	16,992
	2,072,524	448,204	1,624,320

	Revenue	Expenses	2018 Net
	\$	\$	\$
Silver Ball	1,001,312	244,995	756,317
Cuisine & Cuvée	394,778	133,131	261,647
Providence Golf Classic	304,137	77,521	226,616
Other	2,957	272	2,685
	1,703,184	455,919	1,247,265

6. Related party transactions

- (a) Amounts due to Providence Healthcare are non-interest bearing, due on demand and represent the unpaid balance on approved grants and reimbursements of the Foundation's expenses paid by Providence Healthcare.
- (b) During the year, the Foundation provided grants to Providence Healthcare for the following purposes:

	2019	2018
	\$	\$
Transformation by Design (hospital renovations)	—	50,000
Cardinal Ambrozic Houses of Providence/ShareLife	850,000	850,000
Palliative Care	—	—
Other capital grants	602,108	1,600,000
Scholarship funds	100,000	105,840
Other	340,694	213,129
	1,892,802	2,818,969

- (c) Salaries, benefits and other costs recorded as expenses are paid for by Providence Healthcare and reimbursed by the Foundation. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.
- (d) Providence Healthcare provides administrative support and space to the Foundation at no cost.

7. Interfund transfers

Interfund transfers consist of the following:

	Unrestricted Fund \$	Restricted Fund \$	2019 Endowment Fund \$
Transfer of new donations to replenish the unrestricted fund	308,122	(308,122)	—
Investment income made available for granting and preservation of capital on internally endowed funds	(120,740)	83,269	37,471
	187,382	(224,853)	37,471

	Unrestricted Fund \$	Restricted Fund \$	2018 Endowment Fund \$
Transfer of new donations to replenish the unrestricted fund	286,987	(286,987)	—
Investment income made available for granting and preservation of capital on internally endowed funds	(56,156)	56,156	—
	230,831	(230,831)	—

8. Financial instruments

The Foundation is exposed to various financial risks through transactions in financial instruments.

Currency risk

The Foundation is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds and segregated funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

Credit risk

The Foundation is exposed to credit risk in connection with its fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Interest rate risk

The Foundation is exposed to interest rate risk with respect to its investments in fixed income investments and a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates.

Providence Healthcare Foundation

Notes to the financial statements

March 31, 2019

8. Financial instruments (continued)

Other price risk

The Foundation is exposed to other price risk through changes in market prices (other than changes arising from interest rate or currency risks) in connection with its investments in equity securities and pooled funds.