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# Financial statements of Providence Healthcare Foundation

March 31, 2020

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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, 2020, 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, 2020, 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 24, 2020


**Providence Healthcare Foundation**  
**Statement of financial position**  
As at March 31, 2020

	Notes	2020 \$	2019 \$
<b>Assets</b>			
Cash		<b>4,073,702</b>	2,947,784
Investments	3	<b>6,260,879</b>	6,525,220
Receivables		<b>38,225</b>	34,459
Prepaid expenses		<b>90,629</b>	100,604
		<b>10,463,435</b>	9,608,067
<b>Liabilities</b>			
Accounts payable and accrued liabilities		<b>13,972</b>	41,654
Deferred revenue		<b>208,110</b>	250,025
Due to Unity Health Toronto – Providence Healthcare site	6(a)	<b>563,990</b>	103,291
		<b>786,072</b>	394,970
<b>Fund balances</b>			
Unrestricted Fund		<b>3,372,079</b>	2,428,992
Restricted Fund	4(b) and (c)	<b>729,462</b>	1,233,133
Endowment Fund	4(a) and (b)	<b>5,575,822</b>	5,550,972
		<b>9,677,363</b>	9,213,097
		<b>10,463,435</b>	9,608,067

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, 2020

	Notes	Unrestricted Fund		Restricted Fund		Endowment Fund		Total 2019
		2020	2019	2020	2019	2020	2019	
		\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
Donations		768,202	922,420	2,277,288	2,114,469	6,500	3,917	3,040,826
Events	5	1,585,541	1,908,253	151,023	160,121	18,350	4,150	2,072,524
Investment income	4(b)	(18,192)	213,210	(123,388)	188,481	—	84,781	486,472
		<b>2,335,551</b>	<b>3,043,883</b>	<b>2,304,923</b>	<b>2,463,071</b>	<b>24,850</b>	<b>92,868</b>	<b>5,599,822</b>
<b>Expenses</b>								
Salaries and benefits	6(c)	1,462,013	1,131,050	—	—	—	—	1,131,050
General, administrative and other		335,890	285,978	115,269	127,539	—	—	413,517
Events	5	537,213	448,204	—	—	—	—	448,204
		<b>2,335,116</b>	<b>1,865,232</b>	<b>115,269</b>	<b>127,539</b>	<b>—</b>	<b>—</b>	<b>1,992,771</b>
Excess of revenue over expenses before grants		435	1,178,651	2,189,654	2,335,532	24,850	92,868	3,607,051
Grants to Unity Health Toronto - Providence Healthcare site	6(b)	—	—	1,750,673	1,892,802	—	—	1,892,802
Excess of revenue over expenses and grants for the year		435	1,178,651	438,981	442,730	24,850	92,868	1,714,249
Fund balances, beginning of year		2,428,992	1,062,959	1,233,133	1,015,256	5,550,972	5,420,613	9,213,097
Interfund transfers	4(b) and 7	942,652	187,382	(942,652)	(224,853)	—	37,471	—
<b>Fund balances, end of year</b>		<b>3,372,079</b>	<b>2,428,992</b>	<b>729,462</b>	<b>1,233,133</b>	<b>5,575,822</b>	<b>5,550,972</b>	<b>9,677,363</b>

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

**Providence Healthcare Foundation****Statement of cash flows**

Year ended March 31, 2020

	2020	2019
Notes	<u>\$</u>	<u>\$</u>
<b>Operating activities</b>		
Excess of revenue over expenses and grants for the year	<b>464,266</b>	1,714,249
Item not affecting cash		
Change in fair value of investments	3(b) <b>582,419</b>	(205,626)
Change in non-cash working capital items		
Receivables	<b>(3,766)</b>	4,940
Prepaid expenses	<b>9,975</b>	10,807
Accounts payable and accrued liabilities	<b>(27,682)</b>	(10,852)
Deferred revenue	<b>(41,915)</b>	30,375
Due to Unity Health Toronto – Providence Healthcare site	<b>460,699</b>	25,390
	<b>1,443,996</b>	1,569,283
<b>Investing activity</b>		
Purchase of investments, net	<b>(318,078)</b>	(194,773)
Net increase in cash during the year	<b>1,125,918</b>	1,374,510
Cash, beginning of year	<b>2,947,784</b>	1,573,274
<b>Cash, end of year</b>	<b>4,073,702</b>	2,947,784

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

**Providence Healthcare Foundation**  
**Notes to the financial statements**

March 31, 2020

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**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.



**Providence Healthcare Foundation**  
**Notes to the financial statements**

March 31, 2020

**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*

	<b>Cost</b>	<b>2020 Market value</b>	Cost	2019 Market value
	\$	\$	\$	\$
Investment portfolio				
Units in pooled funds				
Bonds	—	—	2,215,205	2,197,940
Equities				
Canadian	<b>1,482,383</b>	<b>1,482,383</b>	1,854,108	2,177,171
US and other foreign	<b>597,782</b>	<b>841,910</b>	1,740,129	2,111,093
	<b>2,080,165</b>	<b>2,324,293</b>	5,809,442	6,486,204
Cash	<b>3,936,586</b>	<b>3,936,586</b>	39,016	39,016
	<b>6,016,751</b>	<b>6,260,879</b>	5,848,459	6,525,220

**Providence Healthcare Foundation**  
**Notes to the financial statements**  
 March 31, 2020

**3. Investments (continued)**

(b) *Interest and other investment income*

	<b>2020</b>	2019
	<b>\$</b>	\$
Realized investment gains	<b>247,270</b>	39,485
Interest, dividends and other investment income	<b>116,556</b>	199,866
Change in fair value of investments	<b>(582,618)</b>	205,626
Total investment portfolio income	<b>(218,792)</b>	444,977
Interest earned on general bank account	<b>77,212</b>	41,495
	<b>(141,580)</b>	486,472

**4. Restricted and endowment funds**

(a) The Endowment Fund consists of the following:

	<b>2020</b>	2019
	<b>\$</b>	\$
Houses of Providence		
Donations	<b>2,815,127</b>	2,815,127
Board endowed	<b>805,207</b>	805,207
Investment income	<b>769,685</b>	769,685
	<b>4,390,019</b>	4,390,019
Staff Education		
Donations	<b>280,138</b>	255,288
Board endowed	<b>813,410</b>	813,410
Investment income	<b>92,255</b>	92,255
	<b>1,185,803</b>	1,160,953
Total Endowment Funds		
Donations	<b>3,095,265</b>	3,070,415
Board endowed	<b>1,618,617</b>	1,618,617
Investment income	<b>861,940</b>	861,940
	<b>5,575,822</b>	5,550,972

In 2007, the Foundation began fundraising for a \$5,000,000 endowment fund in support of the Houses of Providence. Outstanding pledges totalling \$860,000 will be recorded as revenue as they are received over the next five years.

- (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.

**4. Restricted and endowment funds (continued)**

(b) (continued)

In 2020, investment loss of \$123,525 was recognized in the Restricted Fund on investments held for the externally endowed portion of endowment funds. The amount recognized in excess of the amount available for granting is \$nil. Investment loss of \$62,402 was earned on the internally endowed portion of endowment net assets and was recognized as revenue in the Unrestricted Fund. The amount of \$62,402 (Note 7) was made available for granting and transferred to the Restricted Fund, with the remaining \$nil (Note 7) representing preservation of capital being transferred to the Endowment Fund. Total investment loss recognized in the Endowment Fund for 2020 is \$nil, bringing accumulated investment income in 2020 to \$861,939.

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, bringing accumulated investment income in 2019 to \$861,939.

(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, 2020, the Foundation's Board of Directors has approved grants and created endowments totaling \$14.8 million (\$14.3 million up to 2019) from the Restricted Fund and Unrestricted Fund for the Hope Starts Here campaign, which have been granted to Unity Health Toronto - Providence Healthcare Site in 2020 and prior years.

**5. Events**

During the year, the Foundation held the following events:

	<b>Revenue</b>	<b>Expenses</b>	<b>2020 Net</b>
	\$	\$	\$
Silver Ball	<b>1,066,150</b>	<b>279,389</b>	<b>786,761</b>
Cuisine & Cuvée	<b>356,236</b>	<b>170,550</b>	<b>185,686</b>
Providence Golf Classic	<b>284,740</b>	<b>82,477</b>	<b>202,263</b>
Other	<b>47,788</b>	<b>4,797</b>	<b>42,991</b>
	<b>1,754,914</b>	<b>537,213</b>	<b>1,217,701</b>

**Providence Healthcare Foundation**  
**Notes to the financial statements**

March 31, 2020

**5. Events (continued)**

	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
	<u>2,072,524</u>	<u>448,204</u>	<u>1,624,320</u>

**6. Related party transactions**

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

	2020	2019
	\$	\$
Transformation by Design (hospital renovations)	<b>298,800</b>	—
Cardinal Ambrozic Houses of Providence/ShareLife Palliative Care	<b>851,325</b>	850,000
Other capital grants	<b>17,601</b>	—
Scholarship funds	<b>102,447</b>	602,108
Other	<b>105,000</b>	100,000
	<u><b>375,500</b></u>	<u>340,694</u>
	<u><b>1,750,673</b></u>	<u>1,892,802</u>

- (c) Salaries, benefits and other costs recorded as expenses are paid for by Unity Health Toronto - Providence Healthcare Site 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) Unity Health Toronto - Providence Healthcare Site provides administrative support and space to the Foundation at no cost.

**7. Interfund transfers**

Interfund transfers consist of the following:

	<b>Unrestricted Fund \$</b>	<b>Restricted Fund \$</b>	<b>2020 Endowment Fund \$</b>
Transfer of new donations to replenish the unrestricted fund	<b>880,250</b>	<b>(880,250)</b>	—
Investment income made available for granting and preservation of capital on internally endowed funds	<b>62,402</b>	<b>(62,402)</b>	—
	<b>942,652</b>	<b>(942,652)</b>	—
	<b>Unrestricted Fund \$</b>	<b>Restricted Fund \$</b>	<b>2019 Endowment Fund \$</b>
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
	<b>187,382</b>	<b>(224,853)</b>	<b>37,471</b>

**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, 2020

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**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.

**9. Significant event**

On March 11 2020, the World Health Organization characterized the global outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic. In Toronto, and around the world, a series of public health and emergency measures have been implemented to combat the spread of the virus. These measures include the closing of schools and businesses and have had an impact on individuals' income and businesses' revenues. While the social and health consequences of COVID-19 started in earnest in Canada in March, the economic repercussions began in January when the virus took hold in China. The duration and full economic and social impact of COVID-19 remains unknown. It is not possible to reliably estimate how these developments will affect the Foundation's financial results in the following fiscal year and beyond.

For the year ended March 31, 2020, the Foundation suffered losses on investments and reduction in market values of the portfolio due to the investment market downturn. The downturn also led to a decline in donations that had been previously committed to the Foundation. Many Major Gift donors have delayed or deferred pledge payments, extending the end of the HSH Campaign. Annual Giving donors have cancelled their gifts or asked to adjust their monthly gift amount. Stock gifts and sponsorship payments, two important sources of revenue for the Foundation, declined sharply in the last three months of the fiscal year.