



INSPIRE

2018

St. Michael's Foundation
Inspired Care. Inspiring Science.

FOUNDATION AUDITED FINANCIAL STATEMENTS
FISCAL 2015-2016



DONOR BILL OF RIGHTS

At St. Michael's Hospital Foundation, we believe you, our donors, have the right to ask for accountability and transparency in all our business dealings. We subscribe to the Donor Bill of Rights developed by the Association of Fundraising Professionals and the Association for Healthcare Philanthropy.

PHILANTHROPY is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To ensure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

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I.

To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.

II.

To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.

III.

To have access to the organization's most recent financial statements.

IV.

To be assured their gifts will be used for the purposes for which they were given.

V.

To receive appropriate acknowledgement and recognition.

VI.

To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.

VII.

To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.

VIII.

To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.

IX.

To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.

X.

To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

DEVELOPED BY

Association of Fundraising Professionals (AFP)
Association for Healthcare Philanthropy (AHP)
Council for Advancement and Support of Education (CASE)
Giving Institute: Leading Consultants to Non-Profits

ENDORSED BY

(information)
Independent Sector
National Catholic Development Conference (NCDC)
National Committee on Planned Giving (NCPG)
Council for Resource Development (CRD)
United Way of America



May 31, 2016

Independent Auditor's Report

**To the Board of Directors of
St. Michael's Hospital Foundation**

We have audited the accompanying financial statements of St. Michael's Hospital Foundation, which comprise the balance sheet as at March 31, 2016 and the statement of revenues and expenses 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Michael's Hospital Foundation as at March 31, 2016 and the results of its operations, changes in its fund balances 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

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

BALANCE SHEET

As at March 31, 2016

	General Fund		Restricted Fund		Endowment Fund		Total
	2016	2015	2016	2015	2016	2015	2016
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current assets							
Cash and cash equivalents	1,195,189	2,254,859	153,863	254,909	914,221	1,497,526	2,263,273
Other receivables and prepaid expenses (note 4(b))	391,973	463,115	101,000	85,000	996,437	996,437	1,491,410
	1,587,162	2,717,974	254,863	339,909	1,912,658	2,493,963	3,754,683
Investments (note 3)	6,718,993	6,466,723	80,579,313	65,129,693	59,696,884	59,868,094	146,995,190
	8,306,155	9,184,697	80,834,176	65,469,602	61,609,542	62,364,057	150,749,873
Liabilities							
Accounts payable and accrued liabilities (note 4(b))	799,609	904,514	15,338	2,000,000	-	-	814,947
Deferred revenue	340,946	235,000	68,000	114,252	-	-	408,946
Interfund balances	(6,228,589)	(4,046,019)	9,226,909	8,420,128	(3,000,310)	(4,374,109)	-
	(5,086,044)	(2,906,505)	9,310,247	10,534,380	(3,000,310)	(4,374,109)	1,223,893
Fund Balances							
General Fund	13,392,199	12,091,202	-	-	-	-	13,392,199
Restricted Fund (note 4(c))	-	-	71,523,929	54,935,222	-	-	71,523,929
Endowment Fund	-	-	-	-	64,609,852	66,738,166	64,609,852
	13,392,199	12,091,202	71,523,929	54,935,222	64,609,852	66,738,166	149,525,980
	8,306,155	9,184,697	80,834,176	65,469,602	61,609,542	62,364,057	150,749,873

Approved by the Board of Directors


 Director


 Director

STATEMENT OF REVENUE & EXPENSES AND CHANGES IN FUND BALANCES

For the year ended March 31, 2016

	General Fund		Restricted Fund		Endowment Fund		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Donations	3,147,881	3,102,639	28,685,172	31,302,575	2,431,817	4,737,021	34,264,870	39,142,235
Bequests	2,327,918	1,566,616	545,235	628,048	150,000	10	3,023,153	2,194,674
Events	1,118,226	3,538,583	1,920,338	2,196,494	-	-	3,038,564	5,735,077
Investment income (note 3)	908,186	2,446,066	-	2,340	(754,514)	5,774,772	153,672	8,223,178
	7,502,211	10,653,904	31,150,745	34,129,457	1,827,303	10,511,803	40,480,259	55,295,164
Expenses								
Fundraising and administrative	5,414,092	5,549,839	1,643,635	1,511,986	482,440	398,283	7,540,167	7,460,108
Events	192,339	1,119,927	262,692	634,953	-	-	455,031	1,754,880
Investment	103,380	92,913	-	-	219,329	217,360	322,709	310,273
	5,709,811	6,762,679	1,906,327	2,146,939	701,769	615,643	8,317,907	9,525,261
Excess of revenue over expenses before grants	1,792,400	3,891,225	29,244,418	31,982,518	1,125,534	9,896,160	32,162,352	45,769,903
Grants to St. Michael's Hospital (note 4)	263,825	225,000	13,937,394	23,372,200	2,199,743	1,544,850	16,400,962	25,142,050
	1,528,575	3,666,225	15,307,024	8,610,318	(1,074,209)	8,351,310	15,761,390	20,627,853
Excess (deficiency) of revenues over expenses for the year	12,091,202	4,340,910	54,935,222	50,593,550	66,738,166	58,202,277	133,764,590	113,136,737
Fund balances - Beginning of year	(227,578)	4,084,067	1,281,683	(4,268,646)	(1,054,105)	184,579	-	-
Interfund transfers	13,392,199	12,091,202	71,523,929	54,935,222	64,609,852	66,738,166	149,525,980	133,764,590
Fund balances - End of year								

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

STATEMENT OF CASH FLOWS

As at March 31, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	15,761,390	20,627,853
Item not affecting cash		
Change in fair value of investments	5,351,993	(2,984,964)
Changes in non-cash working capital items		
Other receivables and prepaid expenses	55,141	820,794
Accounts payable and accrued liabilities	(2,089,566)	2,459,826
Deferred revenue	59,694	178,897
	19,138,652	21,102,406
Investing activities		
Purchase of investments - gross proceeds	(28,377,473)	(42,217,911)
Sale of investments - gross proceeds	7,494,800	11,854,224
	(20,882,673)	(30,363,687)
Decrease in cash and cash equivalents during the year	(1,744,021)	(9,261,281)
Cash and cash equivalents - Beginning of year	4,007,294	13,268,575
Cash and cash equivalents - End of year	2,263,273	4,007,294

NOTE TO FINANCIAL STATEMENTS

March 31, 2016

1 Purpose of the organization

The St. Michael's Hospital Foundation (the Foundation) is incorporated under the laws of Ontario as a corporation without share capital. The Foundation receives, accumulates and distributes funds and/or the income therefrom for the advancement of medical research, education and improvement of patient care at St. Michael's Hospital (the Hospital).

The Foundation is a public foundation registered under the Income Tax Act (Canada) (the Act) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes under registration number 12296 3663 RR 0001. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2 Summary of significant accounting policies

Basis of presentation

The financial statements of the Foundation have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the reporting period. Actual results could differ from those estimates.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

For financial reporting purposes, the Foundation's funds have been classified as follows:

a) General Fund

The General Fund accounts for the Foundation's general fundraising, granting and administrative activities. The General Fund reports unrestricted resources available for immediate purposes.

b) Restricted Fund

The Restricted Fund reports resources that are to be used for specific purposes as specified by the donor, by internal restrictions or as stipulated by the fundraising appeal.

NOTE TO FINANCIAL STATEMENTS

March 31, 2016

c) **Endowment Fund**

The Endowment Fund reports resources where either donor or internal restrictions require that the principal must be maintained by the Foundation for a specified period of time.

Revenue recognition

Contributions represented by donations, bequests and events are recognized as revenue in the year received or receivable if the amounts can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue of the General Fund in the year received. Donor restricted contributions for specific purposes are recognized as revenue of the Restricted Fund unless the capital is to be maintained for a specified period of time, in which case the contributions are recognized as revenue of the Endowment Fund.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments that are readily convertible into known amounts of cash. Interest in respect of the cash equivalents is accrued as earned.

Investments and investment income

Investments are recorded at fair value. Publicly traded securities are valued based on the closing prices and pooled funds are valued based on reported unit values. Investment income represents interest, dividends, and change in fair value.

Investment income earned on Endowment Fund or Restricted Fund resources, which must be spent on donor restricted activities, is recognized as revenue of the Endowment Fund or Restricted Fund. Investment income subject to donor restrictions stipulating that it be added to the principal amount of the endowment is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on Endowment Fund, Restricted Fund and General Fund resources is recognized as revenue of the General Fund.

Deferred revenue and prepaid expenses

Deferred revenue represents deposits received in advance for subsequent years' fundraising events. These amounts are recognized as revenue in the period in which the event occurs, together with any associated costs.

Costs directly related to future fundraising events are presented as prepaid expenses when the Foundation can reliably demonstrate the event meets the criteria for recognition as an intangible asset. The related costs are expensed once the event has been held. Such costs are expensed immediately when there is sufficient evidence that the event does not meet the criteria for recognition as an intangible asset.

NOTE TO FINANCIAL STATEMENTS

March 31, 2016

Foreign exchange translation

The cost of investments, revenues and expenses denominated in foreign currencies is translated into Canadian dollars at the transaction date. The fair value of investments and other monetary items denominated in foreign currencies is translated at the year-end date.

Contributed materials and services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty in determining the fair value, these contributed services are not recognized or disclosed in the financial statements and related notes. Contributed materials are recorded, when received, at their fair value.

Financial instruments and risk management

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification below.

Cash and cash equivalents are recorded at fair value.

The investment portfolio of the Foundation is valued at fair value. Changes in the value of the portfolio are reflected in the statement of revenue and expenses and changes in fund balances. Transaction costs related to financial assets are expensed as incurred.

Other receivables and amounts payable and accrued liabilities are measured at amortized cost, which approximates fair value due to the short-term maturity of the instruments.

The Foundation initially measures financial assets and financial liabilities at fair value. The financial assets subsequently measured at amortized cost consist of cash and other receivables. The financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities.

The Foundation mitigates the following risks through the use of investment managers for the long-term portfolio investments and by investing other funds in short term fixed rate products with high credit ratings.

Price risk

The investments of the Foundation are subject to price risk because changing interest rates, market value of the investments and general economic conditions affect the market value of equity, fixed income investments, and currency exchange rate changes impact the market value of the investments denominated in currencies other than the Canadian dollar.

Liquidity risk

The Foundation uses investment managers for the investments it plans to hold for a long period of time. These investments are subject to liquidity risk if the Foundation is required to sell at a time that the market for the investments is unfavourable.

NOTE TO FINANCIAL STATEMENTS

*March 31, 2016***Credit and interest rate risk**

It is management's opinion that the Foundation is not exposed to significant interest rate or credit risk from these financial instruments.

3 Investments

Investments consist of the following amounts held in units of various pooled funds, calculated on a unit basis, allocated as follows:

	2016 \$	2015 \$
Guaranteed Investment Certificates	42,265,589	27,257,675
Pooled funds		
Short-term investments	2,661,976	2,315,206
Government bonds	25,109,085	23,723,204
Corporate bonds	31,883,341	33,584,348
Canadian equities	21,755,203	21,184,406
US equities	12,298,268	11,879,941
International equities	11,021,728	11,519,730
	104,729,601	104,206,835
Aggregate fair value	146,995,190	131,464,510
Aggregate cost	143,070,983	122,188,310

The investment portfolio is managed in accordance with the Foundation's investment policy.

Investment income earned on the Foundation's assets consists of the following:

	2016 \$	2015 \$
Interest and dividends	5,505,665	5,238,214
Change in fair value of investments	(5,351,993)	2,984,964
	153,672	8,223,178

4 Related party transactions and balances

- a) The Foundation is an independent corporation without share capital and has an independent board of directors. The Hospital is affiliated with the Foundation as a result of common board members between the two organizations. Furthermore, the Foundation solicits on behalf of and holds investments for the exclusive benefit of the Hospital. The Hospital provides certain services to the Foundation and pays some operating expenses on behalf of the Foundation.

NOTE TO FINANCIAL STATEMENTS

March 31, 2016

- b) Included in accounts payable and accrued liabilities is \$18,234 (2015 - \$1,989,291) due to the Hospital. This amount is payable on demand, is non-interest bearing and consists of two components: grants that have not been disbursed to the Hospital and operating expenses incurred by the Foundation that have not yet been repaid.
- c) The Foundation holds designated funds of \$71,523,929 (2015 - \$54,935,222), which will be disbursed to the Hospital in the future.
- d) The Foundation, from time to time, makes payments to the Hospital to fund the purchase of property, plant and equipment, research costs and the reimbursement of expenses paid on behalf of the Foundation. During the year, \$20,909,572 (2015 - \$29,442,049) was paid to the Hospital, of which \$4,508,611 (2015 - \$4,300,000) was for reimbursement of expenses, \$2,690,649 (2015 - \$6,991,509) for capital and \$13,710,312 (2015 - \$18,150,540) for research, trust or other transfers.

5 Pension plan

Employees of the Foundation participate in a contributory defined benefit pension plan sponsored by the Hospital. Contributions made to the plan during the year by the Foundation amounted to \$307,949 (2015 - \$287,433).



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FISCAL 2015-2016