



Financial Statements

Hamilton Health Sciences Foundation

December 31, 2019

# Independent Auditor's Report

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To the Directors of  
Hamilton Health Sciences Foundation

## Opinion

We have audited the financial statements of Hamilton Health Sciences Foundation, which comprise the statement of financial position as at December 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

## 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 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.

# Independent Auditor's Report (continued)

## 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Hamilton, Canada  
March 6, 2020

Chartered Professional Accountants  
Licensed Public Accountants

# Hamilton Health Sciences Foundation

## Statement of Financial Position

December 31

2019

2018

### Assets

#### Current

|  |                      |                      |
|--|----------------------|----------------------|
| Cash and cash equivalents              | \$ 21,648,766        | \$ 24,688,749        |
| Accounts receivable                    | 887,495              | 872,762              |
| Portfolio investments (notes 4 and 12) | 117,952,132          | 104,600,227          |
| Prepaid expenses                       | 94,063               | 33,544               |
| Current portion of mortgage receivable | -                    | 1,805,750            |
|  | <u>140,582,456</u>   | <u>132,001,032</u>   |
| Mortgage receivable (note 5)           | -                    | 4,013,623            |
| Property and equipment (note 6)        | <u>801,413</u>       | <u>897,768</u>       |
|  | <u>\$141,383,869</u> | <u>\$136,912,423</u> |

### Liabilities

#### Current

|  |                  |                  |
|--|------------------|------------------|
| Accounts payable and accrued liabilities | \$ 1,177,639     | \$ 1,193,982     |
| Due to Hamilton Health Sciences          | <u>1,057,720</u> | <u>394,146</u>   |
|  | <u>2,235,359</u> | <u>1,588,128</u> |

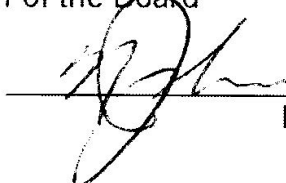
### Fund balances

|                                    |                      |                      |
|------------------------------------|----------------------|----------------------|
| Invested in property and equipment | 801,413              | 897,768              |
| General Fund (note 9)              | 30,720,844           | 20,459,323           |
| Restricted Fund (notes 7 and 9)    | 83,161,718           | 92,884,362           |
| Endowment Fund (notes 7 and 9)     | <u>24,464,535</u>    | <u>21,082,842</u>    |
|                                    | <u>139,148,510</u>   | <u>135,324,295</u>   |
|                                    | <u>\$141,383,869</u> | <u>\$136,912,423</u> |

Commitments (note 13)

Approved on behalf of the Board

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

See accompanying notes to the financial statements

# Hamilton Health Sciences Foundation

## Statement of Operations and Changes in Fund Balances

Year ended December 31

|  | General Fund         |                      | Restricted Fund      |                      | Endowment Fund       |                      | Total 2019            | Total 2018            |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
|  | 2019                 | 2018                 | 2019                 | 2018                 | 2019                 | 2018                 |                       |                       |
| <b>Revenue</b>                               |                      |                      |                      |                      |                      |                      |                       |                       |
| Donations and events                         | \$ 1,064,504         | \$ 634,155           | \$ 19,863,168        | \$ 16,323,917        | \$ 210,370           | \$ 1,699,346         | \$ 21,138,042         | \$ 18,657,418         |
| Investment (loss) income (notes 8 and 9)     | 19,232,770           | (3,488,798)          | 1,121,948            | 1,059,555            | 24,287               | 19,759               | 20,379,005            | (2,409,484)           |
| Lottery (note 10)                            | -                    | -                    | 1,116,890            | 1,030,451            | -                    | -                    | 1,116,890             | 1,030,451             |
|  | <u>20,297,274</u>    | <u>(2,854,643)</u>   | <u>22,102,006</u>    | <u>18,413,923</u>    | <u>234,657</u>       | <u>1,719,105</u>     | <u>42,633,937</u>     | <u>17,278,385</u>     |
| <b>Expenses</b>                              |                      |                      |                      |                      |                      |                      |                       |                       |
| Salaries and employee benefits               | 1,030,070            | 1,127,068            | 2,738,515            | 2,687,026            | -                    | -                    | 3,768,585             | 3,814,094             |
| Administrative                               | 1,011,703            | 870,530              | 1,604,537            | 1,687,917            | -                    | -                    | 2,616,240             | 2,558,447             |
| Lottery costs (note 10)                      | -                    | -                    | 559,193              | 509,363              | -                    | -                    | 559,193               | 509,363               |
| Amortization                                 | 116,972              | 79,158               | -                    | -                    | -                    | -                    | 116,972               | 79,158                |
|  | <u>2,158,745</u>     | <u>2,076,756</u>     | <u>4,902,245</u>     | <u>4,884,306</u>     | <u>-</u>             | <u>-</u>             | <u>7,060,990</u>      | <u>6,961,062</u>      |
| Excess (deficiency) of revenue over expenses | 18,138,529           | (4,931,399)          | 17,199,761           | 13,529,617           | 234,657              | 1,719,105            | 35,572,947            | 10,317,323            |
| Donations and charitable programs            | <u>(9,140,987)</u>   | <u>(2,654,529)</u>   | <u>(22,607,745)</u>  | <u>(12,997,310)</u>  | <u>-</u>             | <u>-</u>             | <u>(31,748,732)</u>   | <u>(15,651,839)</u>   |
| Increase (decrease) in fund balances         | 8,997,542            | (7,585,928)          | (5,407,984)          | 532,307              | 234,657              | 1,719,105            | 3,824,215             | (5,334,516)           |
| Fund balances - beginning of year            | 21,357,091           | 43,416,965           | 92,884,362           | 77,899,392           | 21,082,842           | 19,342,454           | 135,324,295           | 140,658,811           |
| Interfund transfers (note 11)                | <u>1,167,624</u>     | <u>(14,473,946)</u>  | <u>(4,314,660)</u>   | <u>14,452,663</u>    | <u>3,147,036</u>     | <u>21,283</u>        | <u>-</u>              | <u>-</u>              |
| Fund balances - end of year                  | <u>\$ 31,522,257</u> | <u>\$ 21,357,091</u> | <u>\$ 83,161,718</u> | <u>\$ 92,884,362</u> | <u>\$ 24,464,535</u> | <u>\$ 21,082,842</u> | <u>\$ 139,148,510</u> | <u>\$ 135,324,295</u> |

See accompanying notes to the financial statements

# Hamilton Health Sciences Foundation

## Statement of Cash Flows

Year ended December 31

2019

2018

Increase in cash and cash equivalents

### Operating

|  |                     |                  |
|--|---------------------|------------------|
| Increase (decrease) in fund balances                               | \$ 3,824,215        | \$ (5,334,516)   |
| Adjustments for non-cash items                                     |                     |                  |
| Amortization   | 116,972             | 79,158           |
| Realized gain on disposal of portfolio investments (note 8)        | (2,383,686)         | (3,686,290)      |
| Unrealized fair market value adjustment (note 8)                   | (11,543,142)        | 9,999,564        |
| Realized gain on settlement of mortgage receivable (notes 5 and 8) | (2,804,501)         | -                |
| Mortgage interest (note 5)   | -                   | (256,174)        |
|  | <u>(12,790,142)</u> | <u>801,742</u>   |
| Changes in non-cash working capital                                |                     |                  |
| Accounts receivable  | (14,733)            | (19,291)         |
| Prepaid expenses   | (60,519)            | 31,688           |
| Accounts payable and accrued liabilities                           | (16,343)            | 212,222          |
| Due to Hamilton Health Sciences                                    | <u>663,574</u>      | <u>(871,507)</u> |
|  | <u>(12,218,163)</u> | <u>154,854</u>   |

### Investing

|   |                  |                  |
|---|------------------|------------------|
| Purchase of property and equipment            | (20,617)         | (958,416)        |
| Proceeds on disposal of portfolio investments | 29,346,372       | 45,150,842       |
| Purchase of portfolio investments             | (28,771,449)     | (46,214,381)     |
| Repayment of mortgage receivable              | <u>8,623,874</u> | <u>2,463,293</u> |
|   | <u>9,178,180</u> | <u>441,338</u>   |

(Decrease) increase in cash and cash equivalents

(3,039,983) 596,192

Cash and cash equivalents - beginning of year

24,688,749 24,092,557

Cash and cash equivalents - end of year

\$ 21,648,766 \$ 24,688,749

See accompanying notes to the financial statements

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# Hamilton Health Sciences Foundation

## Notes to the Financial Statements

December 31, 2019

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### 1. Purpose of the Organization

The mission of the Foundation is to raise funds and manage donor gifts for the purpose of supporting outstanding clinical care and research for the communities served by Hamilton Health Sciences.

The Foundation is incorporated by Letters Patent as a corporation without share capital under the laws of Ontario, and is a registered charity under the Income Tax Act. The Foundation is exempt from income taxes and able to issue donation receipts for income tax purposes under Registration # 131159543 RR0001.

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### 2. Basis of presentation

The principles of fund accounting are used to ensure observance of limitations and restrictions placed on the use of resources. Resources are classified into funds that are in accordance with specified activities or objectives and these have been summarized under the following fund groups:

(i) The General Fund accounts for the receipt and expenditures of donations or bequests that are not specifically designated to a program or project. Receipted gifts to the Foundation, not restricted by the donors, unrestricted investment income and certain Foundation expenses are allocated to the Unrestricted Fund.

(ii) The Restricted Fund accounts for the receipt and expenditures of donations or bequests that have been restricted by the donor. Revenue of the Restricted Fund is limited to donor restricted contributions, investment income and lottery. Internally restricted funds are amounts that have been restricted for specific purposes by the Board of Directors which have been transferred to the restricted fund. Operating expenses are allocated to the Restricted Fund based on the cost of each initiative including the cost of personnel, services and other expenses that are directly related to raising the restricted funds.

(iii) The Endowment Fund accounts for the receipt of donations or bequests that have been endowed by the donor or internally endowed by the Board of Directors. Revenue of the Endowment Fund is limited to amounts that have been designated for endowment purposes by the external donor. The balance in the Endowment Fund includes original contributions plus accumulated investment income that may be endowed by the gift agreement. The Foundation's Endowment Management Policy ensures that the purchasing power of original contributions is protected against the impact of inflation. Grants are made out of the available portion of the Endowment Fund interest from the Restricted or General Fund as appropriate. Investment income is allocated to the Endowment Fund annually.

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# Hamilton Health Sciences Foundation

## Notes to the Financial Statements

December 31, 2019

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### 3. Significant accounting policies

The Foundation follows Canadian accounting standards for not-for-profit organizations (ASNPO) in preparing its financial statements. The significant accounting policies used are as follows:

#### Fund accounting and revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Contributions are recorded when received. Bequests and donations are recorded in the statement of operations of the respective Fund in the year received. Pledges for future bequests and donations are not recognized until the pledge commitments are realized.

Revenue received prior to the fiscal year end, for special events that do not occur until after the fiscal year end, are recorded as deferred revenue as at December 31. The revenue is recognized when the event occurs and the Foundation has delivered its commitments to participants and sponsors.

Lottery revenue and revenue from special events are recognized in the fiscal year in which the program is concluded. Revenue related to lotteries for which prize draws and events take place subsequent to the year-end is deferred.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, net of investment management expenses, is recorded in the statement of operations and changes in fund balances.

Gifts of securities are valued at fair value on the day the Foundation, or the Foundation's investment broker, receives the securities. Any gains or losses arising from timing differences from the receipt and subsequent sale or transfer within the investment portfolio, of the securities are recognized by the Foundation in the statement of operations and changes in fund balances.

#### Financial instruments

##### Measurement

The Foundation initially measures its financial assets and liabilities at fair value.

The Foundation subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets and liabilities measured at amortized cost include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and due to Hamilton Health Sciences. Financial assets and liabilities measured at fair value include portfolio investments.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, deposits held with banks and other short-term highly liquid investments which are readily convertible to known amounts of cash and bank overdrafts. The Foundation considers securities with original maturities of three months or less to be readily convertible to known amounts of cash.



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# Hamilton Health Sciences Foundation

## Notes to the Financial Statements

December 31, 2019

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### 3. Significant accounting policies (continued)

#### Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Property and equipment are amortized to estimated residual values at the following annual rates over the estimated useful lives of the related assets:

|                         |                             |
|-------------------------|-----------------------------|
| Furniture and equipment | 5 to 10 years straight-line |
| Computer equipment      | 2 to 4 years straight-line  |

Leasehold improvements are amortized over the remaining term of the lease.

The estimated useful lives of assets are reviewed by management and adjusted, if necessary.

#### Contributed materials and services

Contributed materials are recorded in the financial statements at fair value on the date of the donation. Contributed services are not recorded because the fair market value is not readily determinable. With the exception of volunteer time, such services are not significant.

#### Allocation of expenses

The Foundation engages in fundraising initiatives to support capital expenditure, education, research and other special projects for the benefit of the Health System. The cost of each fundraising initiative includes the cost of personnel, services and other expenses that are directly related to undertaking the fundraising initiative. The Foundation also incurs a number of personnel related costs common to the administration of each of its ongoing fundraising initiatives. The Foundation allocates these personnel costs based on an estimate of time spent by the personnel on the fundraising initiative. The allocation percentages are reviewed by management and are applied consistently on an annual basis.

#### Employee benefit plan

Defined contribution plan accounting is applied to a multi-employer plan, whereby contributions are expensed when due.

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# Hamilton Health Sciences Foundation

## Notes to the Financial Statements

December 31, 2019

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### 4. Portfolio investments

|   | <u>2019</u>          | %            | <u>2018</u>          | %            |
|---|----------------------|--------------|----------------------|--------------|
|   |                      | of total     |                      | of total     |
| Cash and cash equivalents held in portfolio       | <u>\$ 12,562,846</u> | <u>10 %</u>  | <u>\$ 11,151,823</u> | <u>10 %</u>  |
| Fixed income instruments                          | <u>41,181,418</u>    | <u>32 %</u>  | <u>37,904,272</u>    | <u>33 %</u>  |
| Equities  |                      |              |                      |              |
| Canadian  | <u>27,994,017</u>    | <u>21 %</u>  | 25,089,041           | 22 %         |
| Foreign   | <u>48,532,741</u>    | <u>37 %</u>  | <u>41,262,010</u>    | <u>35 %</u>  |
| Total equities                                    | <u>76,526,758</u>    | <u>58 %</u>  | <u>66,351,051</u>    | <u>57 %</u>  |
|   | <u>130,271,022</u>   |              | 115,407,146          |              |
| Accrued interest and dividends                    | <u>243,956</u>       | - %          | <u>344,904</u>       | - %          |
| Total   | <u>130,514,978</u>   | <u>100 %</u> | 115,752,050          | <u>100 %</u> |
| Less: cash and cash equivalents held in portfolio | <u>12,562,846</u>    |              | <u>11,151,823</u>    |              |
| Portfolio investments                             | <u>\$117,952,132</u> |              | <u>\$104,600,227</u> |              |

Fixed income instruments consist of short-term investments with maturities of over three months and long-term notes and bonds with maturities ranging from 2020 to 2077 and interest rates ranging from 1.9% to 6.98%.

The Foundation manages its portfolio investments in accordance with its investment policy statement. One of the ways it manages the risk associated with the portfolio investments is to provide a percentage range for each type of investment. It does this on a whole portfolio basis including the cash and cash equivalents held in the portfolio.

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### 5. Mortgage receivable

The mortgage receivable was received in full during the year. The difference between the discounted mortgage receivable and the full repayment was recorded as a gain on settlement of mortgage receivable in the statement of operations .

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# Hamilton Health Sciences Foundation

## Notes to the Financial Statements

December 31, 2019

### 6. Property and equipment

|                         | Cost                | Accumulated<br>Amortization | Net Book Value<br><b>2019</b> | 2018              |
|-------------------------|---------------------|-----------------------------|-------------------------------|-------------------|
| Leasehold improvements  | \$ 759,767          | \$ 126,782                  | \$ <b>632,985</b>             | \$ 709,054        |
| Furniture and equipment | 786,848             | 659,877                     | <b>126,971</b>                | 139,524           |
| Computer equipment      | <u>532,004</u>      | <u>490,547</u>              | <b>41,457</b>                 | <u>49,190</u>     |
|                         | <u>\$ 2,078,619</u> | <u>\$ 1,277,206</u>         | <u>\$ <b>801,413</b></u>      | <u>\$ 897,768</u> |

### 7. Restricted fund balances

Major categories of fund balances with restrictions are as follows:

|  | Restricted<br>Fund   | Endowment<br>Fund    | Total<br><b>2019</b>         | 2018                  |
|--|----------------------|----------------------|------------------------------|-----------------------|
| Hamilton Health Sciences Foundation              | \$ 26,103,759        | \$ 4,902,336         | \$ <b>31,006,095</b>         | \$ 33,583,974         |
| McMaster Children's Hospital Foundation          | 25,861,464           | 10,655,962           | <b>36,517,426</b>            | 39,404,068            |
| Hamilton General Hospital Foundation             | 4,609,348            | 1,402,396            | <b>6,011,744</b>             | 8,155,799             |
| Juravinski Hospital and Cancer Centre Foundation | 20,353,564           | 6,591,960            | <b>26,945,524</b>            | 25,602,094            |
| St. Peter's Hospital Foundation                  | <u>6,233,583</u>     | <u>911,881</u>       | <b>7,145,464</b>             | <u>7,221,269</u>      |
|  | <u>\$ 83,161,718</u> | <u>\$ 24,464,535</u> | <u>\$ <b>107,626,253</b></u> | <u>\$ 113,967,204</u> |

Hamilton Health Sciences Foundation is the single legal entity. The individual site identities are for marketing and communication purposes and they do not constitute a separate legal entity.

Within the endowment fund, \$6,893,492 (2018 - \$5,893,492) is internally restricted and \$17,571,043 (2018 - \$15,189,350) is externally restricted.

Within the restricted fund, \$11,429,454 (2018 - \$14,069,518) is internally restricted and \$71,732,264 (2018 - \$78,814,844) is externally restricted.

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# Hamilton Health Sciences Foundation

## Notes to the Financial Statements

December 31, 2019

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### 8. Investment income

Investment income earned on investments recorded at fair value consists of the following:

|  | <u>2019</u>          | <u>2018</u>           |
|--|----------------------|-----------------------|
| Interest   | \$ 1,452,720         | \$ 1,785,984          |
| Dividends and other investment income              | 2,284,619            | 1,939,923             |
| Realized gain on disposal of portfolio investments | 2,383,686            | 3,686,290             |
| Realized gain on settlement of mortgage receivable | 2,804,501            | -                     |
| Fair market value adjustment                       | 11,543,142           | (9,999,564)           |
| Foreign exchange gain (loss)                       | (89,663)             | 177,883               |
|  | <u>\$ 20,379,005</u> | <u>\$ (2,409,484)</u> |

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### 9. Endowment funds

During the year, investment income of \$702,000 (2018 - \$607,000) was earned on the Endowment Fund of which \$678,000 (2018 - \$587,000) is included in investment income of the Restricted Fund and the remaining \$24,000 (2018 - \$20,000) is recorded as investment income of the Endowment Fund.

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### 10. Lottery

During the year, the Foundation held a staff 50/50 lottery. Financial results included in the statement of revenue, expenses and fund balances are as follows:

|                      | <u>2019</u>       | <u>2018</u>       |
|----------------------|-------------------|-------------------|
| Revenue              |                   |                   |
| Ticket sales         | \$ 1,072,848      | \$ 996,498        |
| Interest             | 44,042            | 33,953            |
|                      | <u>1,116,890</u>  | <u>1,030,451</u>  |
| Expenses             |                   |                   |
| Prizes               | 536,424           | 498,249           |
| Administrative       | 22,769            | 11,114            |
|                      | <u>559,193</u>    | <u>509,363</u>    |
| Net lottery proceeds | <u>\$ 557,697</u> | <u>\$ 521,088</u> |

The lottery is a staff lottery and includes only staff and volunteers within Hamilton Health Sciences. The proceeds of the lottery, net of expenses, are used to purchase equipment for Hamilton Health Sciences.

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# Hamilton Health Sciences Foundation

## Notes to the Financial Statements

December 31, 2019

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### 11. Interfund transfers

Transfers to (from) funds consist of the following:

|                              | <u>2019</u>                   |                                  |                                 |
|------------------------------|-------------------------------|----------------------------------|---------------------------------|
|                              | <u>General</u><br><u>Fund</u> | <u>Restricted</u><br><u>Fund</u> | <u>Endowment</u><br><u>Fund</u> |
| Transfer to general fund     | \$ 1,368,514                  | \$ (1,368,514)                   | \$ -                            |
| Transfers to endowment fund  | -                             | (3,164,363)                      | 3,164,363                       |
| Transfers to restricted fund | <u>(200,890)</u>              | <u>218,217</u>                   | <u>(17,327)</u>                 |
|                              | <u>\$ 1,167,624</u>           | <u>\$ (4,314,660)</u>            | <u>\$ 3,147,036</u>             |
|                              | <u>2018</u>                   |                                  |                                 |
|                              | <u>General</u><br><u>Fund</u> | <u>Restricted</u><br><u>Fund</u> | <u>Endowment</u><br><u>Fund</u> |
| Transfer to general fund     | \$ 99,614                     | \$ (99,614)                      | \$ -                            |
| Transfers to endowment fund  | -                             | (21,283)                         | 21,283                          |
| Transfers to restricted fund | <u>(14,573,560)</u>           | <u>14,573,560</u>                | <u>-</u>                        |
|                              | <u>\$ (14,473,946)</u>        | <u>\$ 14,452,663</u>             | <u>\$ 21,283</u>                |

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# Hamilton Health Sciences Foundation

## Notes to the Financial Statements

December 31, 2019

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### 12. Financial instruments

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposures and concentrations at December 31, 2019:

#### Market price risk

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market. All of the Foundation's financial instruments are carried at fair value with fair value changes recognized in the statement of operations and changes in fund balances (General Fund). Market price risk is managed by the Investment managers through construction of a diversified portfolio of instruments traded on various markets and across various industries.

The Foundation is exposed to price risk through changes in market prices (other than changes arising from interest rate or currency risk) in connection with its investment in equity securities and pooled funds. There was no significant change in exposure from the prior year.

At December 31, 2019 the market value of portfolio investments is \$117,952,000 (2018 \$104,600,000), the cost of which is \$102,478,000 (2018 \$100,569,000).

#### Liquidity risk

Liquidity risk is the risk that the organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements and capital commitments. The Foundation prepares budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. There have been no changes to the risk exposures from the prior year.

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation holds United States dollar denominated portfolio investments. The current market value of these investments is \$49,185,000 (\$37,869,000 US). The Foundation also holds cash in United States dollars at December 31, 2019 of \$2,562,000 (\$1,973,000 US). The cash and investments are subject to foreign exchange rate fluctuations. There was no significant change in exposure from the prior year.

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# Hamilton Health Sciences Foundation

## Notes to the Financial Statements

December 31, 2019

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### 13. Commitments

The Foundation has the following annual operating lease commitments with respect to premises and equipment:

|                                       |            |
|---------------------------------------|------------|
| Fiscal years ending December 31, 2020 | \$ 191,000 |
| 2021                                  | 186,000    |
| 2022                                  | 185,000    |
| 2023                                  | 190,000    |
| 2024                                  | 193,000    |
| 2025-2028                             | 643,000    |

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### 14. Employee benefit plan

(a) Most employees of the Foundation are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. The Plan is accounted for as a defined contribution plan. The Foundation's contributions to the Plan during the year amounted to \$347,591 (2018 - \$322,508) and are included in salaries and employee benefits expense in the statement of operations and fund balances. The most recent actuarial valuation of the Plan as at December 31, 2018 indicates that the Plan has a 21% surplus in disclosed actuarial assets and is fully funded on a solvency basis.

(b) The Foundation has accrued its estimated obligations for non-pension post-retirement benefits based on an actuarial valuation performed in January 2020. As at December 31, 2019, the Foundation's accrued benefits liability is \$82,700 (2018 - \$75,100).

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### 15. Credit facilities

The Foundation's credit facilities include an unsecured \$1,300,000 demand operating line of credit bearing interest at prime minus 1.15% per annum. The amount outstanding on this credit facility as at December 31, 2019 is \$nil (2018 - \$nil).

The Foundation has nil (2018 - one) outstanding letter of credit for the Employee Fundraising Lottery in the amount of \$nil at December 31, 2019 (2018 - \$585,000).

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