
Financial statements of
St. Michael's Hospital Foundation

March 31, 2021

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of revenues and expenses and changes in fund balances	4
Statement of cash flows	5
Notes to the financial statements	6-10

Independent Auditor's Report

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

Opinion

We have audited the financial statements of St. Michael's Hospital Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2021, and the statements of revenues and expenses 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, 2021, 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.

Emphasis of Matter – Subsequent event

We draw attention to Note 7 of the financial statements, which describes the Foundation's amalgamation with Providence Healthcare Foundation effective April 1, 2021. Our opinion is not modified in respect of this matter.

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 9, 2021

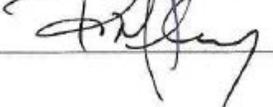
St. Michael's Hospital Foundation
Statement of financial position
As at March 31, 2021

Notes	General Fund		Restricted Fund		Endowment Fund		Total 2020		
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$			
Assets									
Current assets									
	3,466,785	1,955,367	43,534,654	41,850,120	3,319,169	1,801,416	45,606,903		
	920,351	569,830	93,220	138,605	998,437	998,437	1,706,872		
	4,387,136	2,525,197	43,627,874	41,988,725	4,317,606	2,799,853	47,313,775		
Investments	3	16,501,321	16,766,723	79,048,166	74,864,099	86,093,574	73,550,840	181,643,061	165,181,662
		20,888,457	19,291,920	122,676,040	116,852,824	90,411,180	76,350,693	233,975,677	212,495,437
Liabilities									
Accounts payable and accrued liabilities	4(b)	2,367,908	2,172,776	—	—	—	—	2,367,908	2,172,776
Deferred revenue		14,065	109,065	1,398,937	495,470	—	—	1,413,002	604,535
Interfund balances		(5,770,582)	(3,941,029)	—	—	5,770,582	3,941,029	—	—
		(3,388,609)	(1,659,188)	1,398,937	495,470	5,770,582	3,941,029	3,780,910	2,777,311
Fund balances									
General Fund	4(c)	24,277,066	20,951,108	—	—	—	—	24,277,066	20,951,108
Restricted Fund		—	—	121,277,103	116,357,354	—	—	121,277,103	116,357,354
Endowment Fund		—	—	—	—	84,640,598	72,409,664	84,640,598	72,409,664
		24,277,066	20,951,108	121,277,103	116,357,354	84,640,598	72,409,664	230,194,767	209,718,126
		20,888,457	19,291,920	122,676,040	116,852,824	90,411,180	76,350,693	233,975,677	212,495,437

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

On behalf of the Board


_____, Director


_____, Director

St. Michael's Hospital Foundation
Statement of revenues and expenses and changes in fund balances
Year ended March 31, 2021

	Notes	General Fund		Restricted Fund		Endowment Fund		Total	
		2021	2020	2021	2020	2021	2020	2021	
		\$	\$	\$	\$	\$	\$	\$	
Revenue									
Donations		4,775,405	4,317,771	50,108,732	39,669,986	134,018	471,724	55,018,155	44,459,481
Bequests		1,778,316	2,310,545	1,958,242	5,713,754	—	89,071	3,736,558	8,113,370
Events		149,884	1,411,601	967,860	1,933,858	—	—	1,117,744	3,345,459
Investment income	3	5,029,879	1,714,316	—	—	14,139,624	(3,953,495)	19,169,503	(2,239,179)
		11,733,484	9,754,233	53,034,834	47,317,598	14,273,642	(3,392,700)	79,041,960	53,679,131
Expenses									
Fundraising and administrative	4(d) and 5	6,821,727	8,667,972	2,635,886	1,714,896	607,333	608,165	10,064,946	10,991,033
Events		267,460	548,139	95,761	611,582	—	—	363,221	1,159,721
Investments		164,216	137,741	—	—	352,002	268,692	516,218	406,433
		7,253,403	9,353,852	2,731,647	2,326,478	959,335	876,857	10,944,385	12,557,187
Excess of revenue over expenses before grants		4,480,081	400,381	50,303,187	44,991,120	13,314,307	(4,269,557)	68,097,575	41,121,944
Grants to St. Michael's Hospital	4(d)	65,000	110,879	45,951,142	21,601,174	1,604,792	1,259,467	47,620,934	22,971,520
Excess (deficiency) of revenue over expenses for the year		4,415,081	289,502	4,352,045	23,389,946	11,709,515	(5,529,024)	20,476,641	18,150,424
Fund balances, beginning of year		20,951,108	20,809,106	116,357,354	93,169,308	72,409,664	77,589,288	209,718,126	191,567,702
Interfund transfers		(1,089,123)	(147,500)	567,704	(201,900)	521,419	349,400	—	—
Fund balances, end of year		24,277,066	20,951,108	121,277,103	116,357,354	84,640,598	72,409,664	230,194,767	209,718,126

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

St. Michael's Hospital Foundation**Statement of cash flows**

Year ended March 31, 2021

	2021 \$	2020 \$
Operating activities		
Excess of revenue over expenses for the year	20,476,641	18,150,424
Item not affecting cash		
Change in fair value of investments	(13,619,653)	9,940,864
Change in non-cash working capital items		
Other receivables and prepaid expenses	(305,136)	(133,834)
Accounts payable and accrued liabilities	195,132	629,012
Deferred revenue	808,467	347,119
	7,555,451	28,933,585
Investing activities		
Purchase of investments – gross proceeds	(172,456,955)	(49,129,524)
Sale of investments – gross proceeds	169,615,209	42,853,663
	(2,841,746)	(6,275,861)
Increase in cash and cash equivalents during the year	4,713,705	22,657,724
Cash and cash equivalents, beginning of year	45,606,903	22,949,179
Cash and cash equivalents, end of year	50,320,608	45,606,903
Consisting of		
Cash	45,419,226	43,542,770
Treasury bills	4,901,382	2,064,133
	50,320,608	45,606,903

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

St. Michael's Hospital Foundation

Notes to the financial statements

March 31, 2021

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 the St. Michael's location of Unity Health Toronto (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 Chartered Professional Accountants of Canada.

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.

(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.

2. Summary of significant accounting policies (continued)

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 a prepayment. 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 a prepayment.

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 revenues and expenses and changes in fund balances. Transaction costs related to financial assets are expensed as incurred.

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

2. Summary of significant accounting policies (continued)

Financial instruments and risk management (continued)

The financial assets subsequently measured at amortized cost consist of cash and cash equivalents 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.

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:

	2021	2020
	\$	\$
Guaranteed Investment Certificates	42,433,456	42,324,684
Pooled funds		
Short-term investments	5,458,698	2,646,183
Government bonds	27,629,755	27,790,189
Corporate bonds	51,474,076	37,375,410
Canadian equities	13,279,788	26,516,886
US equities	23,524,288	13,230,693
International equities	15,882,389	15,297,617
Alternative investments	1,960,611	—
	139,209,605	122,856,978
Aggregate fair value	181,643,061	165,181,662
Aggregate cost	179,454,037	167,897,281

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

3. Investments (continued)

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

	2021	2020
	\$	\$
Interest and dividends	5,549,850	7,701,685
Changes in fair value of investments	13,619,653	(9,940,864)
	19,169,503	(2,239,179)

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.
- (b) Included in accounts payable and accrued liabilities is \$510,792 payable (\$291,510 payable in 2020) 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 \$121,277,103 (\$116,357,354 in 2020), which will be disbursed to the Hospital in the future. Of this amount, \$55,034,144 (\$49,107,556 in 2020) relates to funds intended for the Hospital's 3.0 campaign and are committed to the Hospital to assist in funding the redevelopment project pertaining to that campaign.
- (d) The Foundation, from time to time, makes payments to the Hospital to fund the purchase of tangible capital assets, research costs and the reimbursement of expenses paid on behalf of the Foundation. During the year, \$53,485,877 (\$28,688,984 in 2020) was paid to the Hospital, of which \$5,864,943 (\$5,717,164 in 2020) was for reimbursement of expenses, \$25,000,597 (\$9,152,302 in 2020) was for capital assets and \$22,620,337 (\$13,819,218 in 2020) was 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 \$443,676 (\$407,481 in 2020) and are recorded as part of fundraising and administrative expenses.

6. Significant event

- (a) On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.
- (b) In relation to the year ending March 31, 2021:
- COVID-19 lasted throughout the whole of fiscal year 2021 and resulted in a series of public health and emergency measures including lockdowns and restrictions being imposed to combat the spread of the virus and the new variants.
 - The impact of the pandemic on the Foundation's revenue goal for the year ended March 31, 2021 and fundraising efforts were mitigated by the COVID frontline fundraising appeal and the re-alignment of the Foundation's fundraising initiatives to meet its targets by focusing more on online fundraising, virtual events, etc.
 - The Foundation experienced recoveries in its investment returns as the market values for its portfolio appreciated over the course of the year ended March 31, 2021.

7. Subsequent event

On February 8, 2021, the respective Boards of Directors for St. Michael's Hospital Foundation and Providence Healthcare Foundation, previously independent organizations, formally voted for the amalgamation of both foundations, effective April 1, 2021. The name of the amalgamated organization shall be St. Michael's Hospital Foundation.

Articles of Amalgamation were subsequently approved by the Ministry of Government and Consumer Services of Ontario on April 1, 2021.

The amalgamated organization is incorporated as one corporation without share capital with the objective of receiving and maintaining funds for the St. Michael's Hospital and Providence Healthcare sites of Unity Health Toronto. The organization is a registered charity and as such, is exempt from income taxation under Section 149(1)(f) of the Canadian Income Tax Act.