Financial Statements

# London Health Sciences Foundation

March 31, 2013

Ernst & Young
Quality In Everything We Do

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
**London Health Sciences Foundation**

We have audited the accompanying financial statements of **London Health Sciences Foundation**, which comprise the statements of financial position as at March 31, 2013 and 2012, and April 1, 2011, and the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and 2012, and 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.

**Auditors' responsibility**
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 auditors' 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 auditors consider 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 **London Health Sciences Foundation** as at March 31, 2013 and 2012, and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and 2012 in accordance with Canadian accounting standards for not-for-profit organizations. As required by the Corporations Act (Ontario), we report that, in our opinion, after giving effect to the retroactive adoption of the accounting standards described in note 3, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

London, Canada,
May 31, 2013.

Chartered Accountants
Licensed Public Accountants

**London Health Sciences Foundation**
Incorporated without share capital under the laws of Ontario

# STATEMENTS OF FINANCIAL POSITION

[in thousands]

As at

| | March 31, 2013 $ | March 31, 2012 $ | April 1, 2011 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Cash *[note 4]* | **8,907** | 10,926 | 8,168 |
| Investments *[note 5]* | **41,899** | 39,758 | 38,982 |
| Investment in lottery joint venture *[note 8]* | **839** | — | — |
| Accounts receivable | **451** | 423 | 210 |
| Capital assets, net *[note 6]* | **58** | 86 | 57 |
| Other assets *[note 7]* | **512** | 422 | 397 |
| | **52,666** | 51,615 | 47,814 |
| **LIABILITIES AND FUND BALANCES** | | | |
| **Liabilities** | | | |
| Accounts payable and accrued charges *[note 13]* | **1,088** | 1,919 | 1,478 |
| Deferred revenue | **258** | 1,101 | 779 |
| | **1,346** | 3,020 | 2,257 |
| Commitments *[note 4]* | | | |
| **Fund balances** *[note 2[a]]* | | | |
| General Fund | **624** | (270) | 561 |
| Restricted Fund *[note 10]* | **39,027** | 35,880 | 31,741 |
| Endowment Fund | **11,669** | 12,985 | 13,255 |
| | **51,320** | 48,595 | 45,557 |
| | **52,666** | 51,615 | 47,814 |

*See accompanying notes*

On behalf of the Board:

Director　　　　Director

**London Health Sciences Foundation**

# STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCES

[in thousands]

Years ended March 31

| | General Fund | | Restricted Fund | | Endowment Fund | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| | | | *[note 10]* | | | | | |
| Donations | **2,969** | 2,421 | **11,710** | 9,020 | **36** | 226 | **14,715** | 11,667 |
| Lotteries *[note 9]* | **2,168** | 5,184 | **—** | — | **—** | — | **2,168** | 5,184 |
| Equity earnings from lottery joint venture *[note 8]* | **277** | — | **—** | — | **—** | — | **277** | — |
| Special events *[note 9]* | **1,455** | 1,295 | **—** | — | **—** | — | **1,455** | 1,295 |
| Community events | **2** | 12 | **1,786** | 2,198 | **9** | — | **1,797** | 2,210 |
| Investment income | | | | | | | | |
| Realized income | **843** | 320 | **418** | 640 | **—** | 2 | **1,261** | 962 |
| Unrealized income | **—** | — | **1,197** | 330 | **—** | — | **1,197** | 330 |
| **Fundraising and event revenue** | **7,714** | 9,232 | **15,111** | 12,188 | **45** | 228 | **22,870** | 21,648 |
| Fundraising | **1,268** | 1,467 | **2,779** | 2,270 | **—** | — | **4,047** | 3,737 |
| Lotteries *[note 9]* | **1,180** | 4,240 | **—** | — | **—** | — | **1,180** | 4,240 |
| Special events *[note 9]* | **786** | 597 | **—** | — | **—** | — | **786** | 597 |
| Community events | **—** | — | **441** | 477 | **—** | — | **441** | 477 |
| **Fundraising and event expenses** | **3,234** | 6,304 | **3,220** | 2,747 | **—** | — | **6,454** | 9,051 |
| **Excess of revenue over expenses before the following** | **4,480** | 2,928 | **11,891** | 9,441 | **45** | 228 | **16,416** | 12,597 |
| Administration | **264** | 352 | **577** | 545 | **—** | — | **841** | 897 |
| Investment fees | **27** | 27 | **155** | 152 | **—** | — | **182** | 179 |
| Amortization | **3** | 3 | **24** | 36 | **—** | — | **27** | 39 |
| | **294** | 382 | **756** | 733 | **—** | — | **1,050** | 1,115 |
| **Excess of revenue over expenses before disbursements for charitible activity** | **4,186** | 2,546 | **11,135** | 8,708 | **45** | 228 | **15,366** | 11,482 |
| Disbursements for capital | **5** | — | **5,890** | 3,103 | **—** | — | **5,895** | 3,103 |
| Disbursements for research and education | **100** | 108 | **5,342** | 4,094 | **366** | — | **5,808** | 4,202 |
| Disbursements for patient care areas | **28** | 23 | **1,092** | 1,305 | **—** | — | **1,120** | 1,328 |
| Disbursements for highest priority needs | **2,140** | 1,191 | **—** | — | **—** | — | **2,140** | 1,191 |
| **Disbursements for charitable activity** | **2,273** | 1,322 | **12,324** | 8,502 | **366** | — | **14,963** | 9,824 |
| **Excess of revenue over expenses before the following** | **1,913** | 1,224 | **(1,189)** | 206 | **(321)** | 228 | **403** | 1,658 |
| Revenue from parking operations *[note 14]* | **12,038** | 8,649 | **—** | — | **—** | — | **12,038** | 8,649 |
| Less: Parking operations expenditures *[note 14]* | **(9,716)** | (7,269) | **—** | — | **—** | — | **(9,716)** | (7,269) |
| | **2,322** | 1,380 | **—** | — | **—** | — | **2,322** | 1,380 |
| **Excess (deficiency) of revenue over expenses for the year** | **4,235** | 2,604 | **(1,189)** | 206 | **(321)** | 228 | **2,725** | 3,038 |
| Fund balances, beginning of year | **(270)** | 561 | **35,880** | 31,741 | **12,985** | 13,255 | **48,595** | 45,557 |
| Interfund transfers, net *[note 10]* | **(3,341)** | (3,435) | **4,336** | 3,933 | **(995)** | (498) | **—** | — |
| **Fund balances, end of year** | **624** | (270) | **39,027** | 35,880 | **11,669** | 12,985 | **51,320** | 48,595 |

*See accompanying notes*

**London Health Sciences Foundation**

# STATEMENTS OF CASH FLOWS

[in thousands]

Years ended March 31

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **OPERATING ACTIVITIES** | | |
| Excess of revenue over expenses for the year | **2,725** | 3,038 |
| Add (deduct) non-cash items included in operations | | |
| Amortization | **27** | 39 |
| Unrealized gain on investments | **(1,197)** | (330) |
| Equity earnings from joint venture *[note 8]* | **(277)** | — |
| | **1,278** | 2,747 |
| Changes in non-cash balances related to operations | | |
| Increase in accounts receivable | **(28)** | (213) |
| Increase in other assets | **(90)** | (25) |
| Increase (decrease) in accounts payable and accrued charge | **(831)** | 441 |
| Increase (decrease) in deferred revenue | **(843)** | 322 |
| Decrease in interest receivable on investments *[note 5]* | **4** | 76 |
| Distribution from joint venture *[note 8]* | **277** | — |
| **Cash (used in) provided by operating activities** | **(233)** | 3,348 |
| **INVESTING ACTIVITIES** | | |
| Investment funds reinvested | **(947)** | (522) |
| Investment in joint venture | **(839)** | — |
| Purchase of capital assets | **—** | (68) |
| **Cash used in investing activities** | **(1,786)** | (590) |
| **Net (decrease) increase in cash during the year** | **(2,019)** | 2,758 |
| Cash, beginning of year | **10,926** | 8,168 |
| **Cash, end of year** | **8,907** | 10,926 |

*See accompanying notes*

## 1. NATURE OF THE FOUNDATION

London Health Sciences Foundation [the "Foundation"] is a public foundation incorporated without share capital under the laws of Ontario, registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. The Foundation raises money, stewards donations and builds relationships with the community, primarily in support of the patient care, teaching, research missions and other high priority needs as identified by the London Health Sciences Centre ["LHSC"].

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Part III of the Canadian Institute of Chartered Accountants ["CICA"] Handbook - Accounting Standards for Not-For-Profit Organizations, which sets out generally accepted accounting principles for not-for-profit organizations in Canada ["GAAP"] and includes the significant accounting policies summarized below.

### [a] Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by donors or in accordance with directives issued by the Board of Directors. Transfers between the funds are made when it is considered appropriate and authorized by the Board of Directors.

For financial reporting purposes, the accounts have been classified into the following funds:

[i] General Fund

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

[ii] Restricted Fund

The Restricted Fund reports revenues that have a specific purpose as specified by the donor and the expenses incurred to raise these funds. It also reports the disbursements expended for these specific purposes. Amounts transferred into the Restricted Fund due to restrictions imposed by the Board of Directors are recognized as interfund transfers.

[iii] Endowment Fund

The Endowment Fund reports resources that are required by an external donor to be maintained by the Foundation on a permanent basis.

## [b] Investments and investment income

Investment income, which consists of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses is recorded in the statements of operations and changes in fund balances.

## [c] Revenue recognition

All donations and bequests are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Life insurance policies that have named the Foundation as owner/beneficiary are recorded at the cash surrender value of the policy. The increase in cash surrender value from year to year is recorded in the appropriate fund.

## [d] Contributed materials and services

Volunteers contribute many hours per year to assist the Foundation in carrying out its activities. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements. Contributed materials are also not recognized in the financial statements.

## [e] Capital assets

Capital assets are recorded at acquisition cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of the contribution. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

| | |
|---|---|
| Office equipment | 5 years |
| Computer equipment | 3 years |
| Donor walls | 10 years |
| Leasehold improvements | Terms of lease |

## [f] Joint venture

The Foundation has an interest in lottery fundraisers where there is joint control of lottery operations by the participating foundations. The Foundation follows the equity method of accounting for this jointly controlled operation. The investment in the lottery joint venture is initially recorded at cost and the carrying value is adjusted thereafter to include the Foundation's share of earnings. Distributions of earnings from the joint venture reduce the carrying value of the investment.

## [g] Financial instruments

The Foundation has elected to record all investments at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses from market fluctuations are included in investment income.

Other financial instruments including accounts receivable, long-term annuity, cash surrender value of life insurance policies, accounts payable and accrued charges and obligations under capital lease are measured at amortized cost using the effective interest rate method, net of any provisions for impairment.

**Determination of fair value**

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on the latest closing price. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data.

## [h] Administrative charge

An administrative charge is levied on restricted donations to sustain the operations of the Foundation *[note 10]*. The maximum amount of the charge is currently 10%.

## [i] Use of estimates

Preparation of the Foundation's financial statements in accordance with GAAP requires management to make certain estimates based on management's judgments. These estimates affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

## [j] Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other similar costs are not allocated and are included in administration expenses on the statements of operations and changes in fund balances.

## [k] Employee future benefits

Defined contribution plan accounting is applied to the multi-employer defined benefit plan, whereby contributions are expensed on an accrual basis, as the Foundation has insufficient information to apply defined benefit accounting.

[in thousands]

## 3. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are the first financial statements that the Foundation has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada. In preparing its statement of financial position as at April 1, 2011 [the "Transition Date"], the Foundation has applied CICA Handbook Section 1501, *First-time Adoption of Accounting Standards for Not-for-Profit Organizations.*

The accounting policies that the Foundation has used in the preparation of its opening balance sheet have resulted in certain adjustments to balances that were presented in the balance sheet prepared in accordance with Part V of the CICA Handbook – Accounting ["Previous GAAP"]. These adjustments were recorded directly to the Foundation's net assets at the Transition Date using the transitional provisions set out in Section 1501 and are described below.

### Exemptions elected upon transition

Section 1501 provides a number of elective exemptions related to standards in Part II of the CICA Handbook. The Foundation has not elected to use any of the transition exemptions.

### Reconciliation

The following table sets out a reconciliation of fund balances as at the Transition Date of April 1, 2011 and the excess of revenue over expenses for the year ended March 31, 2012, as presented under Previous GAAP with those computed under GAAP.

| | **Excess of revenue over expenses for the year ended March 31, 2012**<br>$ | **Fund balances as at April 1, 2011**<br>$ |
|---|---|---|
| **Excess of revenue over expenses and fund balances, previous GAAP** | 3,045 | 45,970 |
| Costs directly related to future fundraising events and future lotteries [a] | (48) | (391) |
| Measurement of fair value of investments at latest closing price [b] | 41 | (22) |
| **Excess of revenue over expenses and fund balances, GAAP** | 3,038 | 45,557 |

**[a] Costs directly related to future fundraising events and future lotteries**

Under Previous GAAP, advertising and promotional costs directly related to the development of future lotteries or events were recognized as assets when the Foundation could demonstrate that there was future economic benefit associated with these costs. These costs were expensed in the period when the lottery or event occurred. Under GAAP, these costs do not qualify as assets. As a result, at the Transition Date the Foundation has decreased other assets by $391. As at March 31, 2012, the Foundation decreased other assets by $439 and charged lotteries and special events expense in the General Fund by $48.

**[b] Measurement of fair value of investments at latest closing price**

Under Previous GAAP, the Foundation measured the fair value of investments using the bid price. Under GAAP, the fair value must be determined using the latest closing price. As a result of this change, at the Transition Date the Foundation has decreased investments by $22. As at March 31, 2012, the Foundation increased investments by $19 and increased unrealized income in the Restricted Fund by $41.

## 4. LETTER OF CREDIT

During the year, the Foundation issued a letter of credit for $2,300 to the Minister of Finance that relates to the fiscal 2013 Dream Lottery. This letter of credit expires on August 26, 2013. The Foundation is indemnified by the other two participating foundations on the same percentage basis as their net proceeds entitlement for fiscal 2013 *[note 9]*. The lottery joint venture has pledged its cash balance as collateral against this letter of credit.

[in thousands]

## 5. INVESTMENTS AND FINANCIAL INSTRUMENTS

### [a] Investments

Details of investments are as follows:

| | **March 31, 2013** $ | **March 31, 2012** $ | **April 1, 2011** $ |
|---|---|---|---|
| Government of Canada bonds | **3,904** | 4,711 | 5,093 |
| Corporate bonds | **12,811** | 13,225 | 14,225 |
| Canadian equities | **4,850** | 4,493 | 4,844 |
| U.S. equities | **4,865** | 4,085 | 3,639 |
| Foreign equities | **680** | 557 | 593 |
| Treasury bills | **13,305** | 11,447 | 9,596 |
| Mutual funds | **1,484** | 1,240 | 950 |
| Commercial paper | — | — | 42 |
| | **41,899** | 39,758 | 38,982 |

The Foundation recognized $190 of interest income during the year [2012 - $189]. The fair value of investments includes interest receivable of $107 [2012 - $111].

Bonds bear interest at varying rates between 1.698% and 9.976%. The bonds mature at varying dates between April 15, 2013 and December 31, 2108. The cost of investments as at March 31, 2013 is $39,802 [March 31, 2012 - $38,861; April 1, 2011 - $38,041]. Bonds with a combined face value of $353 at March 31, 2013 have early settlement options.

### [b] Financial instruments

The Foundation is subject to certain financial risks through transactions in financial instruments. The following provides information in assessing the Foundation's exposure to those risks. To manage these risks, the Foundation has established a target mix of investment types and currencies intended to achieve optimal return within reasonable risk tolerances.

*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 is exposed to currency risk as certain investments held at year-end are denominated in foreign currencies. Approximately 21% of the Foundation's investment income is denominated in United States funds.

*Interest rate risk*
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its fixed and floating interest rate financial instruments, including its Government of Canada and corporate bonds and treasury bills.

*Market risk*
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices [other than those arising from interest rate risk or currency risk]. The Foundation is exposed to market risk on its investment portfolio.

# NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

## 6. CAPITAL ASSETS

Details of capital assets are as follows:

| | March 31, 2013 | | |
|---|---|---|---|
| | **Cost**<br>$ | **Accumulated amortization**<br>$ | **Net book value**<br>$ |
| Office equipment | **198** | **188** | **10** |
| Computer equipment | **350** | **341** | **9** |
| Leasehold improvements | **51** | **50** | **1** |
| Donor walls | **91** | **53** | **38** |
| | **690** | **632** | **58** |

| | March 31, 2012 | | |
|---|---|---|---|
| | **Cost**<br>$ | **Accumulated amortization**<br>$ | **Net book value**<br>$ |
| Office equipment | 198 | 184 | 14 |
| Computer equipment | 350 | 323 | 27 |
| Leasehold improvements | 51 | 48 | 3 |
| Donor walls | 91 | 49 | 42 |
| | 690 | 604 | 86 |

| | April 1, 2011 | | |
|---|---|---|---|
| | **Cost**<br>$ | **Accumulated amortization**<br>$ | **Net book value**<br>$ |
| Office equipment | 184 | 181 | 3 |
| Computer equipment | 341 | 294 | 47 |
| Leasehold improvements | 51 | 45 | 6 |
| Donor walls | 46 | 45 | 1 |
| | 622 | 565 | 57 |

The above capital assets include assets under capital lease of $105 [March 31, 2012 - $105; April 1, 2011 - $105] at cost with accumulated amortization of $101 [March 31, 2012 - $85; April 1, 2011 - $57].

# NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

## 7. OTHER ASSETS

Details of other assets are as follows:

| | **March 31, 2013** $ | **March 31, 2012** $ | **April 1, 2011** $ |
|---|---|---|---|
| Prepaid expenses | **250** | 165 | 145 |
| Cash surrender value of life insurance policies | **245** | 222 | 202 |
| Annuity, at amortized cost | **17** | 35 | 50 |
| | **512** | 422 | 397 |

The life insurance policies were donated to the Foundation, at which time the Foundation became the owner and beneficiary of the policies. These policies have a fair value upon death of $4,699 [March 31, 2012 - $4,777; April 1, 2011 - $4,442].

The Foundation has a 20-year, 7.2% annuity contract that matures in 2014. The fair market value of the annuity at March 31, 2013 was $18 [March 31, 2012 - $37; April 1, 2011 - $50].

## 8. LOTTERY JOINT VENTURE ACTIVITIES

During the year, the Foundation entered into a joint venture agreement with St. Joseph's Health Care Foundation and the Children's Health Foundation [the "Venturers"] relating to future Dream and Millionaire lotteries, whereby the Venturers have contractually shared power to determine the strategic operating, investing and financing activities of the joint venture. The Foundation has made an accounting policy choice to account for its one-third interest in the joint venture, which has a January 31 year-end, using the equity method. The 2012 Fall Dream lottery was the first lottery operated by the joint venture.

[in thousands]

The Foundation's one-third share of the joint venture's assets, liabilities, operations and cash flows as at and for the period ended January 31, 2013 are as follows:

| | **2013** |
|---|---|
| | $ |
| Foundation's share of current year revenue | **1,263** |
| Foundation's share of current year expenses | **986** |
| **Foundation's share of excess of revenue over expenses** | **277** |

| | **2013** |
|---|---|
| | $ |
| Foundation's share of total assets | **447** |
| Foundation's share of total liabilities | **447** |
| **Foundation's share of net assets** | **—** |

The Foundation's share of cash provided by operating activities of the joint venture was $216.

## 9. SPECIAL EVENTS AND LOTTERIES

Total special events revenue for the Foundation is noted below. In 2012 and 2013, the revenue for the Dream Lottery is based on the Foundation's proportionate share of the event. In 2013, the revenue for the Fall Dream lottery is determined using the equity method *[note 8]*.

| | **2013** | **2012** |
|---|---|---|
| | $ | $ |
| Lottery revenue [proportionate share] | | |
| Dream Lottery | **2,168** | 2,216 |
| Millionaire Lottery | **—** | 2,968 |
| | **2,168** | 5,184 |
| Special events revenue | | |
| Country Classic Auction | **1,095** | 1,010 |
| Tastings | **360** | 285 |
| | **1,455** | 1,295 |
| Expenses | **1,966** | 4,837 |
| **Net proceeds** | **1,657** | 1,642 |

[in thousands]

All expenses included above are direct expenses of these special events and lotteries. Net proceeds are impacted by a variety of factors, including the type of fundraiser held, which may vary annually.

## Dream Lottery [completed lotteries]

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Revenue | | |
| Ticket sales for 139,482 tickets sold in 2013 [2012 - 130,848] | **4,090** | 4,182 |
| Expenses | **2,947** | 2,858 |
| **Net proceeds** | **1,143** | 1,324 |
| **Allocation of net proceeds:** | | |
| London Health Sciences Foundation | **605** | 702 |
| St. Joseph's Health Care Foundation | **424** | 490 |
| Children's Health Foundation | **114** | 132 |
| | **1,143** | 1,324 |

## 10. RESTRICTED FUND

The Restricted Fund consists of both internally and externally restricted funds. Internally restricted funds represent donations that have been restricted for a specific purpose by the Board of Directors. Externally restricted funds represent donations and accumulated investment income whereby the donor has made a specific direction on the use of these funds.

| | March 31, 2013<br>$ | March 31, 2012<br>$ | April 1, 2011<br>$ |
|---|---|---|---|
| Internally restricted | **1,397** | 1,444 | 1,444 |
| Externally restricted | **37,630** | 34,436 | 30,297 |
| | **39,027** | 35,880 | 31,741 |

Externally restricted funds are primarily restricted for capital, research and education activities carried out by the LHSC.

[in thousands]

During the year ended March 31, 2013, the Board of Directors approved a transfer from the General Fund to the Restricted Fund of $3,341 [March 31, 2012 - $3,435]. This transfer is net of an administrative charge to sustain the operations of the Foundation of $902 [March 31, 2012 - $453] charged on restricted funds *[note 2[h]]*.

## 11. PLEDGES

The Foundation does not record pledges in its financial statements. Pledges generated in 2013 in the annual giving program, primarily through phone/mail, of $2,719 [2012 - $2,502] and the major gifts program of $25,240 [2012 - $6,412] totalled $27,959 [2012 - $8,914]. The expected collection of accumulated pledges outstanding and the expected year of collection are set out below:

| | **2013**<br>$ | **2012**<br>$ |
|---|---|---|
| 2013 | **—** | 4,287 |
| 2014 | **6,504** | 1,477 |
| 2015 | **5,002** | 785 |
| 2016 | **4,284** | 658 |
| 2017 and thereafter | **6,148** | — |
| | **21,938** | 7,207 |

In addition to these pledges, the Foundation continued the Planned Giving phone/mail campaign designed to generate pledges by way of bequests and gifts of life insurance. Due to the nature of these pledges, the ultimate amount collectible is not determinable at this time and is not included in pledges noted above.

## 12. HEALTHCARE OF ONTARIO PENSION PLAN

Pension benefit costs are expensed as related contributions are made to the Healthcare of Ontario Pension Plan ["HOOPP"], which is a multi-employer, defined benefit, final average earnings, contributory pension plan. Substantially all of the employees of the Foundation are members of HOOPP. Employer contributions made to HOOPP on behalf of employees amounted to $334 [2012 - $307].

The most recent actuarial valuation for financial reporting purposes completed by HOOPP as of December 31, 2012 disclosed net assets available for benefits of $47,414 [2011 - $40,321] with pension obligations of $39,919 [2011 - $36,782], resulting in a surplus of $7,495 [2011 - $3,539].

# NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2013

## 13. RELATED PARTY

LHSC provides administrative support and payroll processing to the Foundation. This in-kind support has not been recorded in the financial statements of the Foundation. The net assets and results of operations of the Foundation are not included in LHSC's financial statements.

As at March 31, 2013, the Foundation had an amount payable to LHSC of $840 [March 31, 2012 - $908; April 1, 2011 - $554] and an amount receivable from the lottery joint venture of $54 [March 31, 2012 - nil; April 1, 2011 - nil]. Invoices are due upon receipt and interest may be applied on past due accounts at a rate of 1.5% per month.

## 14. PARKING AGREEMENT

On July 1, 2011, the Foundation entered into an agreement to lease the parking facilities at LHSC sites through lease and sublease agreements with LHSC. The term of the lease is five years with lease payments of $595 per month with an option to renew for a further five years on mutual agreement.

The Foundation has a management agreement with LHSC in connection with the parking facility whereby LHSC was appointed manager of the facility. Management fees and rent related to these agreements were paid to LHSC during the year.