

Financial statements of

**Toronto East General
Hospital Foundation**

March 31, 2010

Toronto East General Hospital Foundation

March 31, 2010

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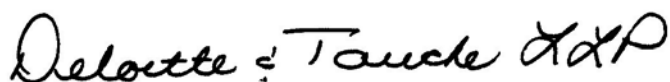
Auditors' Report

To the Members of the
Toronto East General Hospital Foundation

We have audited the balance sheet of the Toronto East General Hospital Foundation as at March 31, 2010 and the statements of revenue, expenses and changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants
May 7, 2010

Toronto East General Hospital Foundation

Statement of revenue, expenses and changes in fund balances year ended March 31, 2010

	General fund		Restricted funds		Campaign funds		Research funds		Endowment funds		Total	Total
	2010	2009*	2010	2009*	2010	2009*	2010	2009	2010	2009	2010	2009*
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue												
Donations and fundraising events	87,521	94,997	254,417	334,832	2,564,012	3,156,412	-	-	-	-	2,905,950	3,586,241
Bequests	826,235	353,977	68,720	-	-	10,000	-	-	-	-	894,955	363,977
Investment income	397,475	(282,971)	-	-	-	-	-	689	291,426	(308,446)	688,901	(590,728)
	1,311,231	166,003	323,137	334,832	2,564,012	3,166,412	-	689	291,426	(308,446)	4,489,806	3,359,490
Fundraising and administrative expenses (Note 7)	578,081	771,748	3,021	18,400	1,320,347	1,810,608	-	-	-	-	1,901,449	2,600,756
Excess (deficiency) of revenue over fundraising and administrative expenses	733,150	(605,745)	320,116	316,432	1,243,665	1,355,804	-	689	291,426	(308,446)	2,588,357	758,734
Fund balances, beginning of year												
as previously reported prior period	496,744	707,549	2,136,131	2,096,775	2,035,479	1,869,447	29,452	28,763	1,555,536	2,018,840	6,253,342	6,721,374
adjustment (Note 2)	(66,724)	(6,895)	-	-	(49,446)	(26,893)	-	-	-	-	(116,170)	(33,788)
As restated	430,020	700,654	2,136,131	2,096,775	1,986,033	1,842,554	29,452	28,763	1,555,536	2,018,840	6,137,172	6,687,586
Grants to TEGH**	-	-	(150,295)	(388,581)	(771,278)	(920,567)	(15,062)	-	-	-	(936,635)	(1,309,148)
	1,163,170	94,909	2,305,952	2,024,626	2,458,420	2,277,791	14,390	29,452	1,846,962	1,710,394	7,788,894	6,137,172
Interfund transfers (Note 8)	242,881	335,110	38,261	111,506	(218,325)	(291,758)	-	-	(62,817)	(154,858)	-	-
Fund balances, end of year	1,406,051	430,019	2,344,213	2,136,132	2,240,095	1,986,033	14,390	29,452	1,784,145	1,555,536	7,788,894	6,137,172

* 2009 Restated as per Note 2

** TEGH - Toronto East General Hospital

Toronto East General Hospital Foundation

Balance sheet

as at March 31, 2010

						2010	2009*
	General funds	Restricted funds	Campaign funds	Research funds	Endowment funds	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current							
Cash	526,265	912,267	3,349,825	24,390	-	4,812,747	3,140,490
Prepaid expenses	19,771	-	712,777	-	-	732,548	85,175
Accounts receivable	301	-	5,224	-	-	5,525	6,935
	546,337	912,267	4,067,826	24,390	-	5,550,820	3,232,600
Capital assets (Note 4)	37,134	-	-	-	-	37,134	53,926
Long-term investments (Note 5)	982,076	1,425,405	-	-	1,796,726	4,204,207	3,582,113
	1,565,547	2,337,672	4,067,826	24,390	1,796,726	9,792,161	6,868,639
Liabilities							
Current							
Accounts payable and accrued liabilities (Note 6)	159,496	3,853	365,392	10,000	2,187	540,928	723,467
Interfund payables/receivables	-	(10,394)	-	-	10,394	-	-
Deferred event revenue	-	-	1,462,339	-	-	1,462,339	8,000
	159,496	(6,541)	1,827,731	10,000	12,581	2,003,267	731,467
Fund balances							
Invested in capital assets	37,134	-	-	-	-	37,134	53,926
Restricted	-	2,344,213	2,240,095	14,390	1,784,145	6,382,843	5,707,152
Unrestricted	1,368,917	-	-	-	-	1,368,917	376,094
	1,406,051	2,344,213	2,240,095	14,390	1,784,145	7,788,894	6,137,172
Total liabilities and fund balances	1,565,547	2,337,672	4,067,826	24,390	1,796,726	9,792,161	6,868,639

* 2009 Restated as per Note 2

Approved by the Board of Directors

_____ Director

_____ Director

Toronto East General Hospital Foundation

Statement of cash flows year ended March 31, 2010

	2010	2009*
	\$	\$
Operating activities		
Excess of revenue over fundraising and administrative expenses	2,588,357	758,734
Items not affecting cash		
Change in unrealized (gain) loss on investments	(694,541)	658,837
Amortization of capital assets	16,792	14,202
	1,910,608	1,431,773
Change in non-cash operating items		
Prepaid expenses	(647,373)	44,686
Accounts receivable	1,410	(6,935)
Accounts payable and other accrued liabilities	(182,539)	183,625
Deferred revenue	1,454,339	8,000
	2,536,445	1,661,149
Investing activities		
Acquisition of capital assets	-	(23,797)
Net decrease in long-term investments	72,447	165,059
	72,447	141,262
Financing activities		
Grants to the Toronto East General Hospital and to research	(936,635)	(1,309,148)
	(936,635)	(1,309,148)
Net cash inflow	1,672,257	493,263
Cash, beginning of year	3,140,490	2,647,227
Cash, end of year	4,812,747	3,140,490

* 2009 Restated as per Note 2

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2010

1. Nature of Organization

The Foundation is a non-profit corporation and has been granted status as a registered charity under the *Income Tax Act* of Canada, if certain requirements are maintained. The Foundation has been designated as a public foundation.

The Foundation was incorporated in 1984 for the purpose of raising and accumulating funds for the benefit of the Toronto East General Hospital Inc. (the "Hospital").

2. Changes in accounting policies

Adoption of accounting policies

Series of Sections 4400 – Not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants (CICA) issued amendments to several of the existing sections in the 4400 series - Financial Statements by Not-For-Profit Organizations on accounting measurement and financial reporting by not-for-profit organizations contained in the 4400 series of the Sections of the CICA Handbook. The adoption of these amendments has not resulted in any change in how the Foundation accounts for its transactions. Additional disclosure of allocated expenses is required and is presented in Note 7.

Section 1000 – Financial statement concepts

On April 1, 2009, the Foundation adopted the amendments made to Section 1000 – Financial statements concepts. The amended section requires an entity to demonstrate that any amount that is presented as an asset meets the conceptual definition of an asset or is permitted to be recorded as an asset under specific CICA Handbook sections. As a result of adopting these amendments, which require retrospective restatements, the prior period has been restated, resulting in the following adjustments:

For the year ended March 31, 2009, fundraising and administrative expenses increased by	\$82,382
Fund Balances as at April 1, 2008 decreased by	\$33,788
Fund Balances as at April 1, 2009 decreased by	\$116,170
Prepaid expenses as at March 31, 2009 decreased by	\$116,170

EIC –173 – Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the Emerging issues Committee (EIC) issued EIC – 173 "Credit risk and the fair value of financial assets and financial liabilities". This abstract requires that an entity's own credit risk (for financial liabilities) and the credit risk of the counter party (for financial assets) should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The new guidance did not have any impact on the valuation of the Foundation's financial statements.

3. Summary of significant accounting policies

Financial statement presentation

These financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by the Canadian Institute of Chartered Accountants using the restricted fund method of reporting contributions. Funds that have been both externally and internally restricted are segregated in separate funds in the financial statements.

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2010

3. Summary of significant accounting policies (continued)

Revenue recognition

Contributions are recognized as revenue in the year when received. Pledges are recognized when the amount of the pledge and its collection are certain. Donations of shares are recorded at the fair value as at the date of donation.

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts 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 the donors. For financial reporting purposes, the accounts have been classified into the following funds:

General funds - include unrestricted revenue and accounts for administrative and fundraising activities.

Restricted funds – include externally restricted funds raised that are designated toward specific hospital programs and activities. Restricted funds also include internally restricted funds. Investment income earned on these funds is recorded in the general fund.

Campaign funds - include funds raised from major campaigns. Currently funds include the balance of funds for the "Together for a Healthy Future Campaign" which began in Fiscal 1998 and ended in Fiscal 2001. The majority of the Campaign funds are attributed to the "Above All We CARE" campaign launched in Fiscal 2006. These funds are restricted to several major redevelopment projects at the Hospital. Investment income earned on these funds is unrestricted and is recorded in the general fund.

Research funds - include funds that are restricted for research activities.

Endowment funds - established pursuant to a resolution passed by the Board of Directors on December 12, 2001 for the purpose of providing a dependable and increasing source of funds to be used for the benefit of the Hospital. The fund includes both externally (donor) endowed bequests and donations and internally restricted bequests as determined by the Board of Directors. Undesignated bequests are transferred in accordance with Board policy to the Endowment fund. If a bequest provides for specific program spending, the investment income is allocated to the appropriate restricted fund. Income from endowed funds is allocated as per the restrictions on the original bequest or donation.

Financial instruments

The Foundation has classified each of its financial instruments into the following categories:

<u>Asset/Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash	Held for trading	Fair value
Investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

The category for an item determines its subsequent accounting under the standards:

- Held-for-trading items are carried at fair value, with changes in their fair value recognized in the Statement of revenue and expenses.
- Loans and receivable are carried at amortized cost, using the effective interest method, net of any impairment.
- Other liabilities are carried at amortized cost, using the effective interest method.

Any transaction costs are expensed as incurred.

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2010

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

As allowed under Section 3855 – Financial instruments – recognition and measurement, the Foundation has elected not to account for non-financial contracts as derivatives and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

The Foundation has elected to follow the disclosure requirements of Section 3861 – Financial Instruments – disclosure and presentation of the CICA handbook.

Fair value of instruments is determined using bid prices in an active market.

Capital assets

Capital assets are recorded at cost and are amortized on a straight-line basis over four to five years.

Contributed services

A substantial number of volunteers contribute a significant amount of 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 financial statement notes.

When the fair value of contributed materials or services can be reasonably estimated and are used in the normal course of operations and would otherwise have been purchased, they are recognized as revenue and expense.

Investments

Investment income includes interest income as well as realized and unrealized gains and losses. Investment income is recorded on a net basis, after the deduction of investment fees.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect revenue and expenses during the reporting period, in addition to the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include valuation of investments.

4. Capital assets

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Donor wall	25,360	13,912	11,448	16,520
Furniture	39,126	22,476	16,650	24,231
Computer software	10,490	5,536	4,954	7,052
Computer equipment	12,579	8,497	4,082	6,123
	87,555	50,421	37,134	53,926

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2010

5. Long-term investments

Long-term investments consist of pooled funds managed by McLean Budden as follows:

	2010		2009	
	Cost	Market	Cost	Market
	\$	\$	\$	\$
Endowment fund				
MB Money Market Fund	16,078	16,076	16,759	16,759
MB Fixed Income Fund	1,094,178	1,082,187	541,953	536,979
MB Canadian Equity Fund	302,643	318,731	344,573	264,520
MB Global Equity Fund	423,426	379,732	1,004,364	751,006
	1,836,325	1,796,726	1,907,649	1,569,264
General and restricted				
Long term fund				
MB Money Market Fund	21,047	21,045	20,931	20,931
MB Fixed Income Fund	1,464,328	1,450,330	690,821	686,631
MB Canadian Equity Fund	447,393	428,086	494,210	343,205
MB Global Equity Fund	579,277	508,020	1,317,007	962,082
	2,512,045	2,407,481	2,522,969	2,012,849
Total funds	4,348,370	4,204,207	4,430,618	3,582,113

Risk management

The Foundation's long-term investments are exposed to a variety of financial risks. The Foundation seeks to minimize the potential adverse effects of these risks by regularly monitoring of the investment's position, market events and diversifying the investments portfolio within the constraints of the Foundation's Investment Policy statement.

Significant risks that are relevant to the Foundation's long-term investments are as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at March 31, 2010 and 2009, the Foundation's investments in fixed income securities have a minimum credit rating of BBB, or its equivalent, and a portfolio average of not less than AA.

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. Changes in the prime interest rate will have a positive or negative impact on the Foundation's interest income. Such exposure will increase accordingly should the Foundation maintain higher levels of investments in the future.

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's investments include non-Canadian equities, the value of which fluctuates in part due to changes in foreign exchange rates. The MB Global Equity Fund holds assets and liabilities denominated in currencies other than Canadian dollars and this fund is therefore directly exposed to currency risk as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2010

6. Related party balances and transactions

Related party balances and transactions not otherwise disclosed in these financial statements include:

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$501,842 (2009 - \$701,347), which is due to the Hospital for reimbursement of operating expenses paid by the Hospital on behalf of the Foundation.

Rent

During the year, the Foundation paid \$6,000 (2009 - \$6,000) in premises rent to the Hospital.

Grants

Grants to the Hospital during the year were cash transactions used for the purchase of hospital equipment, research and education.

7. Expense allocation

The Foundation allocates expense to respective activities. Salary and benefit expenses of \$1,027,395 are allocated to programs based on the estimated time the staff person spends on the program, resulting in \$294,384 being charged to the general funds and \$733,011 being charged to the Campaign funds. Other expenses are allocated specifically to the programs that they support.

	General funds	Restricted funds	Campaign funds	Total	Total
	\$	\$	\$	\$	\$
Salaries and benefits	294,384	-	733,011	1,027,395	1,112,868
Amortization	16,793	-	-	16,793	14,203
General and office	111,704	-	53,614	165,318	203,790
Marketing and fundraising	23,473	3,021	459,786	486,280	959,762
Occupancy	6,000	-	-	6,000	6,000
Professional and consulting	125,727	-	73,936	199,663	304,133
Total expenses	578,081	3,021	1,320,347	1,901,449	2,600,756

8. Interfund transfers

During the year, the Board approved the transfer of \$62,817 from the Endowment fund to the Restricted fund, which represents the 3.5% annual return on investment made available for expenditure.

A total of \$242,881 was transferred to the General funds from the Restricted funds \$(24,556) and from the Campaign funds \$(218,325) funds as a 10% allocation on restricted donations as per Foundation policy.

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2010

9. Pledges

The Foundation has outstanding pledges for future donations as follows:

	2010	2009
	\$	\$
Restricted funds	6,100	9,100
Campaign funds	6,503,818	6,945,933
Unrestricted funds	-	650
	6,509,918	6,955,683

These pledges have not been reflected in these financial statements, and will only be recognized as revenue when their collectibility can be reasonably assured, which is typically when the funds are received.

10. Guarantees and contingent liabilities

In the normal course of business, the Foundation enters into agreements that meet the definition of a guarantee. Indemnity has been provided to all directors and officers of the Foundation for various items including, but not limited to, all costs to settle suits or actions due to involvement with the Foundation, subject to certain restrictions. Directors' and officers' liability insurance has been purchased to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined but is limited to the period over which the indemnification party served as a director or officer of the Foundation. The maximum amount of any potential future payment cannot be reasonably estimated.

11. Letters of credit

The Foundation has one Letter of Credit outstanding at March 31, 2010 in the amount of \$47,375 (2009 - \$50,000) issued in respect of charitable activities conducted by the Foundation. The letter of credit is secured by cash. As of March 31, 2010 no amounts have been applied against the letter of credit.

12. Capital management

As a not-for-profit entity, the Foundation's operations are reliant on revenues generated annually. The Foundation has accumulated unrestricted fund balances over its history. A portion of the accumulated fund balances is retained as working capital, which may be required from time to time due to timing delays in receiving its primary funding. The remaining surplus is available for the use of the Foundation at the discretion of the Board and/or donors. The Foundation has complied with the externally imposed restrictions.

13. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted for 2010.

Event expenses of \$590,674 previously netted against related income were reclassified to marketing and fundraising expenses for the year ended March 31, 2009.