

Financial statements of

**Toronto East General
Hospital Foundation**

March 31, 2011

Toronto East General Hospital Foundation

March 31, 2011

Table of contents

Independent Auditor’s Report 1-2

Balance sheet 3

Statement of revenue, expenses and changes in fund balances..... 4

Statement of cash flows 5

Notes to the financial statements 6-11

Independent Auditor's Report

To the Members of
Toronto East General Hospital Foundation

We have audited the accompanying financial statements of Toronto East General Hospital Foundation, which comprise the balance sheet as at December 31, 2010, and the statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto East General Hospital Foundation as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 1, 2011

Toronto East General Hospital Foundation

Balance sheet

as at March 31, 2011

						2011	2010
	General funds	Restricted funds	Campaign funds	Research funds	Endowment funds	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current							
Cash	4,850	728,572	6,443,343	14,390	-	7,191,155	4,812,747
Prepaid expenses	15,285	793	26,559	-	-	42,637	732,548
Accounts receivable	-	-	10,283	-	-	10,283	5,525
	20,135	729,365	6,480,185	14,390	-	7,244,075	5,550,820
Capital assets (Note 4)	23,252	-	-	-	-	23,252	37,134
Long-term investments (Note 5)	1,175,826	1,425,405	-	-	1,874,199	4,475,430	4,204,207
Total assets	1,219,213	2,154,770	6,480,185	14,390	1,874,199	11,742,757	9,792,161
Liabilities							
Current							
Accounts payable and accrued liabilities (Note 7)	176,271	3,060	330,426	-	2,268	512,025	540,928
Interfund payables/receivables	350,679	(361,394)	-	-	10,715	-	-
Deferred revenue	-	2,000	28,925	-	-	30,925	1,462,339
	526,950	(356,334)	359,351	-	12,983	542,950	2,003,267
Fund balances							
Invested in capital assets	23,252	-	-	-	-	23,252	37,134
Restricted	-	2,511,104	6,120,834	14,390	1,861,216	10,507,544	6,382,843
Unrestricted	669,011	-	-	-	-	669,011	1,368,917
	692,263	2,511,104	6,120,834	14,390	1,861,216	11,199,807	7,788,894
Total liabilities and fund balances	1,219,213	2,154,770	6,480,185	14,390	1,874,199	11,742,757	9,792,161

Approved by the Board of Directors

_____ Director

_____ Director

Toronto East General Hospital Foundation

Statement of revenue, expenses and changes in fund balances year ended March 31, 2011

	General fund		Restricted funds		Campaign funds		Research funds		Endowment funds		Total	Total
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue												
Donations and fundraising events	1,954	87,521	163,399	254,417	6,287,112	2,564,012	-	-	-	-	6,452,465	2,905,950
Bequests	261,757	826,235	3,000	68,720	500,000	-	-	-	-	-	764,757	894,955
Investment income	225,618	397,475	-	-	-	-	-	-	135,516	291,426	361,134	688,901
	489,329	1,311,231	166,399	323,137	6,787,112	2,564,012	-	-	135,516	291,426	7,578,356	4,489,806
Fundraising and administrative expenses (Note 8)	688,444	578,081	6,224	3,021	3,331,502	1,320,347	-	-	-	-	4,026,170	1,901,449
Excess (deficiency) of revenue over fundraising and administrative expenses	(199,115)	733,150	160,175	320,116	3,455,610	1,243,665	-	-	135,516	291,426	3,552,186	2,588,357
Fund balances, beginning of year	1,406,051	430,020	2,344,213	2,136,131	2,240,095	1,986,033	14,390	29,452	1,784,145	1,555,536	7,788,894	6,137,172
Grants to TEGH**	-	-	(41,273)	(150,295)	(100,000)	(771,278)	-	(15,062)	-	-	(141,273)	(936,635)
	1,206,936	1,163,170	2,463,115	2,305,952	5,595,705	2,458,420	14,390	14,390	1,919,661	1,846,962	11,199,807	7,788,894
Interfund transfers (Note 9)	(514,673)	242,881	47,989	38,261	525,129	(218,325)	-	-	(58,445)	(62,817)	-	-
Fund balances, end of year	692,263	1,406,051	2,511,104	2,344,213	6,120,834	2,240,095	14,390	14,390	1,861,216	1,784,145	11,199,807	7,788,894

** TEGH - Toronto East General Hospital

Toronto East General Hospital Foundation

Statement of cash flows year ended March 31, 2011

	2011	2010
	\$	\$
Operating activities		
Excess of revenue over fundraising and administrative expenses	3,552,186	2,588,357
Items not affecting cash		
Change in unrealized gain on investments	(338,150)	(694,541)
Amortization of capital assets	14,713	16,792
	3,228,749	1,910,608
Change in non-cash operating items		
Prepaid expenses	689,911	(647,373)
Accounts receivable	(4,758)	1,410
Accounts payable and other accrued liabilities	(28,903)	(182,539)
Deferred revenue	(1,431,414)	1,454,339
	2,453,585	2,536,445
Investing activities		
Acquisition of capital assets	(831)	-
Net decrease in long-term investments	66,927	72,447
	66,096	72,447
Financing activity		
Grants to the Toronto East General Hospital and to research	(141,273)	(936,635)
Net cash inflow	2,378,408	1,672,257
Cash, beginning of year	4,812,747	3,140,490
Cash, end of year	7,191,155	4,812,747

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2011

1. Nature of Organization

The Toronto East General Hospital Foundation (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. Future accounting changes

In December 2010, the CICA issued accounting standards for not-for-profit Organizations (Part III of the CICA Handbook - Accounting). Effective for fiscal years beginning on or after January 1, 2012, Not-for-Profit organizations are required to adopt either Part III of the CICA Handbook - Accounting, or International Financial Reporting Standards (Part I of the CICA Handbook - Accounting). Earlier adoption is permitted. The Foundation is currently evaluating the impact on its financial statements of the two options

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.

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 Campaign 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.

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2011

3. Summary of significant accounting policies (continued)

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.

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 and accrued liabilities.

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2011

4. Capital assets

	2011		2010	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Donor wall	25,360	18,334	7,026	11,448
Furniture	39,126	28,627	10,499	16,650
Computer software	11,321	7,634	3,687	4,954
Computer equipment	12,579	10,539	2,040	4,082
	88,386	65,134	23,252	37,134

5. Long-term investments

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

	2011		2010	
	Cost	Market	Cost	Market
	\$	\$	\$	\$
Endowment fund				
MB Money Market Fund	16,229	16,199	16,078	16,076
MB Fixed Income Fund	1,080,261	1,074,549	1,094,178	1,082,187
MB Canadian Equity Fund	321,713	385,823	302,643	318,731
MB Global Equity Fund	430,896	397,628	423,426	379,732
	1,849,099	1,874,199	1,836,325	1,796,726
General and restricted				
Long term fund				
MB Money Market Fund	21,245	21,208	21,047	21,045
MB Fixed Income Fund	1,535,925	1,529,866	1,464,328	1,450,330
MB Canadian Equity Fund	472,986	518,197	447,393	428,086
MB Global Equity Fund	589,307	531,960	579,277	508,020
	2,619,463	2,601,231	2,512,045	2,407,481
Total funds	4,468,562	4,475,430	4,348,370	4,204,207

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, 2011 and 2010, 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.

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2011

6. Long-term investments (continued)

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.

7. 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 \$456,815 (2010 - \$501,842), 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 (2010 - \$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.

8. Expense allocation

The Foundation allocates expense to respective activities. Salary and benefit expenses of \$1,284,010 (2010 - \$1,027,395) are allocated to programs based on the estimated time the staff person spends on the program, resulting in \$407,618 (2010 - \$294,384) being charged to the general funds and \$876,392 (2010 - \$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	407,618	-	876,392	1,284,010	1,027,395
Amortization	14,713	-	-	14,713	16,793
General and office	160,416	-	344,062	504,478	165,318
Marketing and fundraising	13,670	6,224	2,063,660	2,083,554	486,280
Occupancy	6,000	-	-	6,000	6,000
Professional and consulting	86,027	-	47,388	133,415	199,663
Total expenses	688,444	6,224	3,331,502	4,026,170	1,901,449

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2011

9. Interfund transfers

During the year, the Board approved the transfer of \$58,445 (2010 - \$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 \$15,833 (2010 - \$24,556) was transferred to the General funds from the Restricted funds as a 10% allocation on restricted donations as per Foundation policy. An additional \$530,506 was transferred from the General funds to the Campaign funds which reflects a change in policy where the 10% allocation is transferred from the various campaign funds to the Campaign General Fund effective April 2010. A total of \$5,377 was transferred from the Campaign Funds to the Restricted Funds.

10. Pledges

The Foundation has outstanding pledges for future donations as follows:

	2011	2010
	\$	\$
Restricted funds	29,250	6,100
Campaign funds	5,802,365	6,503,818
	<u>5,831,615</u>	<u>6,509,918</u>

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.

11. a) Restricted funds

Restricted funds include the following:

	2011	2010
	\$	\$
Externally restricted	2,511,104	2,463,115
Internally restricted	-	-
	<u>2,511,104</u>	<u>2,463,115</u>

b) Endowment funds

Endowed funds include the following:

	2011	2010
	\$	\$
Externally endowed	185,126	177,461
Internally endowed	1,676,090	1,606,684
	<u>1,861,216</u>	<u>1,784,145</u>

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2011

11. c) Campaign funds

Campaign funds include the following:

	2011	2010
	\$	\$
Together for a Healthy Future	4,601	4,601
Above all we CARE	6,116,233	2,235,494
	6,120,834	2,240,095

12. 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.

13. 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.