

Financial statements of

**Toronto East General
Hospital Foundation**

March 31, 2012

Toronto East General Hospital Foundation

March 31, 2012

Table of contents

Independent Auditor’s Report 1-2

Statement of financial position 3

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

Statement of cash flows 5

Notes to the financial statements 6-12

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 statement of financial position as at March 31, 2012, and the statements of revenue, 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, 2012, 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 4, 2012

Toronto East General Hospital Foundation

Statement of financial position
as at March 31, 2012

						2012	2011
	General funds	Restricted funds	Campaign funds	Research funds	Endowment funds	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current assets							
Cash	252	122,541	579,572	14,390	-	716,755	7,191,155
Short term investments (Note 5)	-	-	9,005,945	-	-	9,005,945	-
Prepaid expenses	24,956	-	610,164	-	-	635,120	42,637
Accounts receivable	9,145	5	33,668	-	381	43,199	10,283
	34,353	122,546	10,229,349	14,390	381	10,401,019	7,244,075
Capital assets (Note 4)							
Long-term investments (Note 5)	16,436	-	-	-	-	16,436	23,252
	1,251,691	1,425,405	-	-	1,848,059	4,525,155	4,475,430
	1,302,480	1,547,951	10,229,349	14,390	1,848,440	14,942,610	11,742,757
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities (Note 6)	120,346	2,500	220,681	-	2,202	345,729	512,025
Interfund payables/receivables	739,427	(748,605)	-	-	9,178	-	-
Deferred revenue	-	-	842,946	-	-	842,946	30,925
	859,773	(746,105)	1,063,627	-	11,380	1,188,675	542,950
Fund balances							
Invested in capital assets	16,436	-	-	-	-	16,436	23,252
Restricted	-	2,294,056	9,165,722	14,390	1,837,060	13,311,228	10,507,544
Unrestricted	426,271	-	-	-	-	426,271	669,011
	442,707	2,294,056	9,165,722	14,390	1,837,060	13,753,935	11,199,807
	1,302,480	1,547,951	10,229,349	14,390	1,848,440	14,942,610	11,742,757

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, 2012

	General funds		Restricted funds		Campaign funds		Research funds		Endowment funds		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue												
Donations and fundraising events	3,567	1,954	1,183,812	163,399	8,163,583	6,287,112	-	-	-	-	9,350,962	6,452,465
Bequests	273,160	261,757	-	3,000	-	500,000	-	-	-	-	273,160	764,757
Investment income	181,060	225,618	-	-	-	-	-	-	40,085	135,516	221,145	361,134
	457,787	489,329	1,183,812	166,399	8,163,583	6,787,112	-	-	40,085	135,516	9,845,267	7,578,356
Fundraising and administrative expenses (Note 7)	629,309	688,444	4,506	6,224	1,603,421	3,331,502	-	-	-	-	2,237,236	4,026,170
Excess (deficiency) of revenue over fundraising and administrative expenses before grants to TEGH** and related parties	(171,522)	(199,115)	1,179,306	160,175	6,560,162	3,455,610	-	-	40,085	135,516	7,608,031	3,552,186
Grants to TEGH and related parties (Note 6)	(95,850)	-	(1,442,779)	(41,273)	(3,515,274)	(100,000)	-	-	-	-	(5,053,903)	(141,273)
Excess (deficiency) of revenue over expenses	(267,372)	(199,115)	(263,473)	118,902	3,044,888	3,355,610	-	-	40,085	135,516	2,554,128	3,410,913
Fund balances, beginning 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
Interfund transfers (Note 8)	17,816	(514,673)	46,425	47,989	-	525,129	-	-	(64,241)	(58,445)	-	-
Fund balances, end of year	442,707	692,263	2,294,056	2,511,104	9,165,722	6,120,834	14,390	14,390	1,837,060	1,861,216	13,753,935	11,199,807

** TEGH - Toronto East General Hospital

Toronto East General Hospital Foundation

Statement of cash flows year ended March 31, 2012

	2012	2011
	\$	\$
Operating activities		
Excess of revenue over expenses	2,554,128	3,410,913
Items not affecting cash		
Change in unrealized loss (gain) in investments	82,372	(151,032)
Amortization of capital assets	14,873	14,713
	2,651,373	3,274,594
Change in non-cash operating items		
Prepaid expenses	(592,483)	689,911
Accounts receivable	(32,916)	(4,758)
Accounts payable and other accrued liabilities	(166,296)	(28,903)
Deferred revenue	812,021	(1,431,414)
	2,671,699	2,499,430
Investing activities		
Acquisition of capital assets	(8,057)	(831)
Acquisition of short term investments	(9,005,945)	-
Acquisition of long-term investments	(207,054)	(187,118)
Disposition of long-term investments	74,957	66,927
	(9,146,099)	(121,022)
Net cash inflow	(6,474,400)	2,378,408
Cash, beginning of year	7,191,155	4,812,747
Cash, end of year	716,755	7,191,155

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2012

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). The Foundation will adopt Part III of the CICA Handbook - Accounting.

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

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

Restricted funds

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

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

Research funds include funds that are restricted for research activities.

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2012

3. Summary of significant accounting policies (continued)

Fund accounting (continued)

Endowment funds

Endowment funds were 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
Short and long term 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 short and long-term investments 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.

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2012

3. Summary of significant accounting policies (continued)

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.

4. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Donor wall	25,360	21,457	3,903	7,026
Furniture	41,951	35,548	6,403	10,499
Computer software	13,657	10,132	3,525	3,687
Computer equipment	12,579	12,579	-	2,040
Leasehold improvements	2,895	290	2,605	-
	96,442	80,006	16,436	23,252

5. Investments

Short-term investments consist of term deposits with a term of 90 days or less.

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

	2012		2011	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Endowment funds				
MB Money Market Fund	81,122	81,122	16,229	16,199
MB Fixed Income Fund	1,041,168	1,064,600	1,080,261	1,074,549
MB Canadian Equity Fund	314,392	315,683	321,713	385,823
MB Global Equity Fund	422,224	386,654	430,896	397,628
	1,858,906	1,848,059	1,849,099	1,874,199
General and restricted funds				
MB Money Market Fund	113,059	113,059	21,245	21,208
MB Fixed Income Fund	1,547,079	1,583,898	1,535,925	1,529,866
MB Canadian Equity Fund	480,658	441,569	472,986	518,197
MB Global Equity Fund	600,954	538,570	589,307	531,960
	2,741,750	2,677,096	2,619,463	2,601,231
	4,600,656	4,525,155	4,468,562	4,475,430

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2012

5. Investments (continued)

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 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, 2012, 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. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Foundation is exposed to market risk on its long-term investments.

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.

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 \$265,829 (2011 - \$456,815), 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 (2011 - \$6,000) in premises rent to the Hospital.

Grants

Grants to the Hospital and related parties during the year were cash transactions used for the purchase of hospital equipment, research and education. The Foundation transferred \$4,053,903 (2011 - \$141,273) to Toronto East General Hospital and \$1,000,000 (2011 - \$Nil) to the South East Toronto Family Health Service for capital purchases.

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2012

7. Expense allocation

The Foundation allocates expense to respective activities. Salary and benefit expenses of \$1,107,583 (2011 - \$1,284,010) are allocated to programs based on the estimated time the staff person spends on the program, resulting in \$403,631 (2011 - \$407,618) being charged to the general funds and \$703,952 (2011 - \$876,392) being charged to the Campaign funds. Other expenses are allocated specifically to the programs that they support.

				2012	2011
	General funds	Restricted funds	Campaign funds	Total	Total
	\$	\$	\$	\$	\$
Salaries and benefits	403,631	-	703,952	1,107,583	1,284,010
Amortization	14,873	-	-	14,873	14,713
General and office	136,200	-	75,487	211,687	504,478
Marketing and fundraising	17,155	4,506	718,737	740,398	2,083,554
Occupancy	6,000	-	-	6,000	6,000
Professional and consulting	51,450	-	105,245	156,695	133,415
	629,309	4,506	1,603,421	2,237,236	4,026,170

8. Interfund transfers

During the year, the Board approved the transfer of \$64,241 (2011 - \$58,445) from the Endowment fund to the Restricted fund, which represents the 3.5% annual return on investment made available for expenditure.

A total of \$17,816 (2011 - \$15,833) was transferred to the General funds from the Restricted funds as a 10% allocation on restricted donations as per Foundation policy.

In 2011, \$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. An additional \$5,377 was transferred from the Campaign Funds to the Restricted Funds.

9. Pledges

The Foundation has outstanding pledges for future donations as follows:

	2012	2011
	\$	\$
Restricted funds	19,675	29,250
Campaign funds	6,061,604	5,802,365
	6,081,279	5,831,615

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.

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2012

10. a) Restricted funds

Restricted funds include the following:

	2012	2011
	\$	\$
Externally restricted	2,294,056	2,511,104
Internally restricted	-	-
	<u>2,294,056</u>	<u>2,511,104</u>

b) Endowment funds

Endowed funds include the following:

	2012	2011
	\$	\$
Externally endowed	182,724	185,126
Internally endowed	1,654,336	1,676,090
	<u>1,837,060</u>	<u>1,861,216</u>

c) Campaign funds

Campaign funds include the following:

	2012	2011
	\$	\$
Together for a Healthy Future	-	4,601
Above all we CARE	9,165,722	6,116,233
	<u>9,165,722</u>	<u>6,120,834</u>

11. 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.

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.

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2012

13. Letter of credit

The Foundation has one Letter of Credit outstanding at March 31, 2012 in the amount of \$50,000 (2011 - \$NIL) issued in respect of charitable activities conducted by the Foundation. The letter of credit is secured by cash. As of March 31, 2012 no amounts have been applied against the letter of credit.

14. Comparative amounts

Certain of the prior year amounts presented for comparative purposes have been re-classified to conform to the presentation adopted in the current year.