

Financial statements of

**Toronto East General  
Hospital Foundation**

March 31, 2013 and 2012

# Toronto East General Hospital Foundation

March 31, 2013 and 2012

## Table of contents

Independent Auditor's Report .....	1-2
Statements of financial position .....	3
Statements of revenue, expenses and changes in fund balances .....	4
Statements of cash flows .....	5
Notes to the financial statements .....	6-12



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## **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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of revenue, expenses and changes in fund balances, and of cash flows for the years ended March 31, 2013 and March 31, 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.

### **Auditor's 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 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 in our audits 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, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013, and March 31, 2012, in accordance with Canadian accounting standards for not-for-profit organizations.

*Deloitte LLP*

Chartered Public Accountants, Chartered Accountants  
Licensed Public Accountants  
June 4, 2013

# Toronto East General Hospital Foundation

## Statements of financial position

as at March 31, 2013, March 31, 2012 and April 1, 2011

						March 31, 2013	March 31, 2012	April 1, 2011 (Note 2)
	General funds	Restricted funds	Campaign funds	Research funds	Endowment funds	Total	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>								
Current assets								
Cash	884,513	23,140	380,200	14,390	-	1,302,243	716,755	7,191,155
Short term investments (Note 5)	-	2,309,370	14,410,797	-	177,096	16,897,263	9,005,945	-
Prepaid expenses	22,359	-	10,950	-	-	33,309	635,120	42,637
Accounts receivable	9,100	-	22,346	-	-	31,446	43,199	10,283
	<b>915,972</b>	<b>2,332,510</b>	<b>14,824,293</b>	<b>14,390</b>	<b>177,096</b>	<b>18,264,261</b>	10,401,019	7,244,075
Capital assets (Note 4)	8,556	-	-	-	-	8,556	16,436	23,252
Long-term investments (Note 5)	-	-	-	-	-	-	4,525,155	4,475,430
	<b>924,528</b>	<b>2,332,510</b>	<b>14,824,293</b>	<b>14,390</b>	<b>177,096</b>	<b>18,272,817</b>	14,942,610	11,742,757
<b>Liabilities</b>								
Current liabilities								
Accounts payable and accrued liabilities (Notes 6 and 12)	114,744	860	276,332	-	-	391,936	345,729	512,025
Deferred revenue	-	-	26,450	-	-	26,450	842,946	30,925
	<b>114,744</b>	<b>860</b>	<b>302,782</b>	-	-	<b>418,386</b>	1,188,675	542,950
<b>Fund balances</b>								
Invested in capital assets	8,556	-	-	-	-	8,556	16,436	23,252
Restricted	-	2,331,650	14,521,511	14,390	177,096	17,044,647	13,311,228	10,507,544
Unrestricted	801,228	-	-	-	-	801,228	426,271	669,011
	<b>809,784</b>	<b>2,331,650</b>	<b>14,521,511</b>	<b>14,390</b>	<b>177,096</b>	<b>17,854,431</b>	13,753,935	11,199,807
	<b>924,528</b>	<b>2,332,510</b>	<b>14,824,293</b>	<b>14,390</b>	<b>177,096</b>	<b>18,272,817</b>	14,942,610	11,742,757

Approved by the Board of Directors

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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

# Toronto East General Hospital Foundation

## Statements of revenue, expenses and changes in fund balances

### years ended March 31, 2013 and 2012

	General funds		Restricted funds		Campaign funds		Research funds		Endowment funds		Total	
	2013	2012 (Note 2)	2013	2012 (Note 2)	2013	2012 (Note 2)	2013	2012 (Note 2)	2013	2012 (Note 2)	2013 (Note 2)	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Revenue</b>												
Donations and fundraising events	2,770	3,567	141,057	1,183,812	7,173,994	8,163,583	-	-	-	-	7,317,821	9,350,962
Bequests	391,167	273,160	-	-	-	-	-	-	-	-	391,167	273,160
Investment income	210,972	181,060	-	-	-	-	-	-	(8,166)	40,085	202,806	221,145
	<b>604,909</b>	<b>457,787</b>	<b>141,057</b>	<b>1,183,812</b>	<b>7,173,994</b>	<b>8,163,583</b>	-	-	<b>(8,166)</b>	<b>40,085</b>	<b>7,911,794</b>	<b>9,845,267</b>
Fundraising and administrative expenses (Note 7)	620,110	629,309	1,101	4,506	2,766,130	1,603,421	-	-	-	-	3,387,341	2,237,236
Excess (deficiency) of revenue over fundraising and administrative expenses before grants to TEGH** and related parties	(15,201)	(171,522)	139,956	1,179,306	4,407,864	6,560,162	-	-	(8,166)	40,085	4,524,453	7,608,031
Grants to TEGH and related parties (Note 6)	(170,460)	(95,850)	(153,497)	(1,442,779)	(100,000)	(3,515,274)	-	-	-	-	(423,957)	(5,053,903)
Excess (deficiency) of revenue over expenses	(185,661)	(267,372)	(13,541)	(263,473)	4,307,864	3,044,888	-	-	(8,166)	40,085	4,100,496	2,554,128
Fund balances, beginning 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
Interfund transfers (Note 8)	552,738	17,816	51,135	46,425	1,047,925	-	-	-	(1,651,798)	(64,241)	-	-
<b>Fund balances, end of year</b>	<b>809,784</b>	<b>442,707</b>	<b>2,331,650</b>	<b>2,294,056</b>	<b>14,521,511</b>	<b>9,165,722</b>	<b>14,390</b>	<b>14,390</b>	<b>177,096</b>	<b>1,837,060</b>	<b>17,854,431</b>	<b>13,753,935</b>

\*\* TEGH - Toronto East General Hospital

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

# Toronto East General Hospital Foundation

## Statements of cash flows

years ended March 31, 2013 and 2012

	2013	2012
		(Note 2)
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	4,100,496	2,554,128
Items not affecting cash		
Change in unrealized loss in investments	-	82,372
Amortization of capital assets	7,880	14,873
	4,108,376	2,651,373
Change in non-cash operating items		
Prepaid expenses	601,811	(592,483)
Accounts receivable	11,753	(32,916)
Accounts payable and other accrued liabilities	46,207	(166,296)
Deferred revenue	(816,496)	812,021
	3,951,651	2,671,699
<b>Investing activities</b>		
Acquisition of capital assets	-	(8,057)
Acquisition of short term investments	(7,891,318)	(9,005,945)
Acquisition of long-term investments	-	(207,054)
Disposition of long-term investments	4,525,155	74,957
	(3,366,163)	(9,146,099)
Net cash inflow	585,488	(6,474,400)
Cash, beginning of year	716,755	7,191,155
<b>Cash, end of year</b>	<b>1,302,243</b>	<b>716,755</b>

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

# Toronto East General Hospital Foundation

## Notes to the financial statements

March 31, 2013 and 2012

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### 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. Adoption of the new accounting standards

During the year ended March 31, 2013, the Foundation adopted the new accounting standards for not-for-profit organizations ("ASNPOs") issued by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with Section 1501 of the CICA Handbook, "First-time adoption", ("Section 1501"), the date of transition to ASNPOs is April 1, 2011 and the Foundation has presented an opening statement of financial position as at that date. This opening statement of financial position is the starting point for the Foundation's accounting under ASNPOs. In its opening statement of financial position, under the recommendations of Section 1501, the Foundation:

- recognized all assets and liabilities the recognition of which is required by ASNPOs;
- did not recognize items as assets or liabilities if ASNPOs do not permit such recognition; and,
- applied ASNPOs in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented. As described in Note 3 (financial instruments), the Foundation has elected to adopt the fair value option with respect to the measurement of investments.

The adoption of this new financial reporting framework has no impact on the previously reported Statement of financial position as at April 1, 2011, or on the previously reported Statements of revenue, expenses and changes in fund balances and of cash flows for the year ended March 31, 2012. Consequently, a reconciliation of previously reported items to those reported using ASNPOs has not been prepared.

### 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 reported as 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.



# Toronto East General Hospital Foundation

## Notes to the financial statements

March 31, 2013 and 2012

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### 3. Summary of significant accounting policies (continued)

#### *Fund accounting (continued)*

##### 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. The majority of the Campaign funds are attributed to the "Above All We CARE" campaign launched in Fiscal 2006. These funds are restricted for 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.

##### 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's financial assets are comprised of cash, short-term and long-term investments, and accounts receivable. Financial liabilities are comprised of accounts payable and accrued liabilities.

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments quoted in active markets, which are carried at fair value. The Foundation has elected to use the fair value option to measure investments not quoted in active markets. Any subsequent changes in fair value are recorded in the Statement of revenue, expenses and changes in fund balances.

The fair value of 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.

##### *Investment income*

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, 2013 and 2012

## 4. Capital assets

	March 31, 2013		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Donor wall	25,360	24,580	780
Furniture	41,951	38,335	3,616
Computer software	13,657	11,523	2,134
Computer equipment	12,579	12,579	-
Leasehold improvements	2,895	869	2,026
	<b>96,442</b>	<b>87,886</b>	<b>8,556</b>

	March 31, 2012		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Donor wall	25,360	21,457	3,903
Furniture	41,951	35,548	6,403
Computer software	13,657	10,132	3,525
Computer equipment	12,579	12,579	-
Leasehold improvements	2,895	290	2,605
	<b>96,442</b>	<b>80,006</b>	<b>16,436</b>

	April 1, 2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Donor wall	25,360	18,334	7,026
Furniture	39,126	28,627	10,499
Computer software	11,321	7,634	3,687
Computer equipment	12,579	10,539	2,040
	<b>88,386</b>	<b>65,134</b>	<b>23,252</b>

# Toronto East General Hospital Foundation

## Notes to the financial statements

March 31, 2013 and 2012

### 5. Investments

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

During the year ended March 31, 2013, all of the Foundation's long-term investments were cashed and invested in short-term investments. Long-term investments consisted of pooled funds managed by McLean Budden and were as follows:

	March 31, 2013		March 31, 2012		April 1, 2011	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$	\$	\$
<b>Endowment funds</b>						
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
<b>General and restricted funds</b>						
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

#### *Risk management*

The Foundation's long-term investments were 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 were 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 had 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 was 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.

# Toronto East General Hospital Foundation

## Notes to the financial statements

March 31, 2013 and 2012

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### 5. Investments (continued)

#### 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 have included non-Canadian equities, the value of which fluctuates in part due to changes in foreign 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 \$338,457 (March 31, 2012 - \$265,829; April 1, 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 (2012 - \$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 \$423,957 (2012 - \$4,053,903) to Toronto East General Hospital and \$ Nil (2012 - \$1,000,000) to the South East Toronto Family Health Service for capital purchases.

### 7. Expense allocation

The Foundation allocates expense to respective activities. Salary and benefit expenses of \$1,234,871 (2012 - \$1,107,583) are allocated to programs based on the estimated time the staff person spends on the program, resulting in \$391,472 (2012 - \$403,631) being charged to the general funds and \$843,399 (2012 - \$703,952) being charged to the Campaign funds. Other expenses are allocated specifically to the programs that they support.

	2013			
	General funds	Restricted funds	Campaign funds	Total
	\$	\$	\$	\$
Salaries and benefits	391,472	-	843,399	1,234,871
Amortization	7,880	-	-	7,880
General and office	160,352	-	60,197	220,549
Marketing and fundraising	10,980	1,101	1,784,021	1,796,102
Occupancy	6,000	-	-	6,000
Professional and consulting	43,426	-	78,513	121,939
	<b>620,110</b>	<b>1,101</b>	<b>2,766,130</b>	<b>3,387,341</b>

# Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2013 and 2012

## 7. Expense allocation (continued)

	2012			
	General funds	Restricted funds	Campaign funds	Total
	\$	\$	\$	\$
Salaries and benefits	403,631	-	703,952	1,107,583
Amortization	14,873	-	-	14,873
General and office	136,200	-	75,487	211,687
Marketing and fundraising	17,155	4,506	718,737	740,398
Occupancy	6,000	-	-	6,000
Professional and consulting	51,450	-	105,245	156,695
	<b>629,309</b>	<b>4,506</b>	<b>1,603,421</b>	<b>2,237,236</b>

## 8. Interfund transfers

During the year, the Board approved the transfer of \$65,139 (2012 - \$64,241) from the Endowment fund to the Restricted fund, which represents the 3.5% annual return on investment made available for expenditure.

A total of \$552,738 (2012 - \$17,816) was transferred to the General funds from the Restricted and Campaign funds as a 10% allocation on restricted donations as per Foundation policy.

A total of \$1,586,659 (2012 - \$Nil) was transferred from the Endowment Fund to the Campaign Fund which represents the balance in the Catford estate previously endowed by the Board and unendowed by the Board to make the funds available to the CARE campaign.

## 9. Pledges

The Foundation has outstanding pledges for future donations as follows:

	2013	2012
	\$	\$
Restricted funds	19,650	19,675
Campaign funds	<b>4,544,521</b>	6,061,604
	<b>4,564,171</b>	6,081,279

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. Funds

### a) Restricted funds

Restricted funds include the following:

	2013	2012
	\$	\$
Externally restricted	<b>2,331,650</b>	2,294,056

# Toronto East General Hospital Foundation

## Notes to the financial statements

March 31, 2013 and 2012

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### 10. Funds (continued)

#### b) Endowment funds

Endowed funds include the following:

	2013	2012
	\$	\$
Externally endowed	177,096	182,724
Internally endowed	-	1,654,336
	<b>177,096</b>	<b>1,837,060</b>

#### c) Campaign funds

Campaign funds include the following:

	2013	2012
	\$	\$
Above all we CARE	14,521,511	9,165,722

### 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. Accounts payable and accrued liabilities

There are no outstanding government remittances as at March 31, 2013, March 31, 2012, or April 1, 2011.

### 13. Letter of credit

The Foundation has no Letters of Credit outstanding at March 31, 2013 (March 31, 2012 - \$50,000; April 1, 2011 - \$Nil) issued in respect of charitable activities conducted by the Foundation. The letter of credit as at March 31, 2012 was secured by cash. As of March 31, 2013, March 31, 2012, and April 1, 2011, no amounts were applied against the letter of credit.