

Financial statements of

**Toronto East Health Network
Foundation**

(Operating as Michael Garron Hospital
Foundation)

March 31, 2017

Toronto East Health Network Foundation

(Operating as Michael Garron Hospital Foundation)

March 31, 2017

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	6-10

Independent Auditor's Report

To the Members of
Toronto East Health Network Foundation

We have audited the accompanying financial statements of Toronto East Health Network Foundation, which comprise the statement of financial position as at March 31, 2017, the statement of revenue, expenses and changes in fund balances, and of 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 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 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 in our audit 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 Health Network Foundation as at March 31, 2017 the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 15, 2017

Toronto East Health Network Foundation

(Operating as Michael Garron Hospital Foundation)

Statement of financial position

as at March 31, 2017

						2017	2016
	General funds	Restricted funds	Campaign funds	Research funds	Endowment funds	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current assets							
Cash	2,110,628	729,255	2,035,610	14,389	26,529	4,916,411	2,568,132
Short term investments (Note 4)	16,688	2,096,499	7,652,160	-	450,662	10,216,009	10,115,861
Accounts receivable	50,614	7	-	-	-	50,621	68,579
Prepaid expenses	430,316	-	-	-	-	430,316	21,578
	2,608,246	2,825,761	9,687,770	14,389	477,191	15,613,357	12,774,150
Capital assets (Note 3)	-	-	-	-	-	-	805
	2,608,246	2,825,761	9,687,770	14,389	477,191	15,613,357	12,774,955
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities (Notes 5 and 11)	518,873	1,000	7,333	-	-	527,206	575,817
Deferred revenue	649,573	-	-	-	-	649,573	185,377
	1,168,446	1,000	7,333	-	-	1,176,779	761,194
Fund balances							
Invested in capital assets	-	-	-	-	-	-	805
Restricted	-	2,824,761	9,680,437	14,389	477,191	12,996,778	10,403,391
Unrestricted	1,439,800	-	-	-	-	1,439,800	1,609,565
	1,439,800	2,824,761	9,680,437	14,389	477,191	14,436,578	12,013,761
	2,608,246	2,825,761	9,687,770	14,389	477,191	15,613,357	12,774,955

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 Health Network Foundation

(Operating as Michael Garron Hospital Foundation)

Statement of revenue, expenses and changes in fund balances
year ended March 31, 2017

	General funds		Restricted funds		Campaign funds		Research funds		Endowment funds		Total	Total
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue												
Donations and fundraising events	1,700,336	768,000	1,068,291	614,275	3,496,248	4,489,517	-	100	35,175	62,894	6,300,050	5,934,786
Bequests	200,298	567,912	20,917	3,417	293,805	1,119,470	-	-	-	-	515,020	1,690,799
Investment income	122,425	124,183	-	(1,957)	-	(2,522)	-	-	4,279	3,609	126,704	123,313
	2,023,059	1,460,095	1,089,208	615,735	3,790,053	5,606,465	-	100	39,454	66,503	6,941,774	7,748,898
Fundraising and administrative expenses (Note 6)	2,772,450	1,916,028	245,435	144,467	2,000	955,582	-	-	-	-	3,019,885	3,016,077
Excess (deficiency) of revenue over fundraising and administrative expenses before grants to TEHN** and related parties	(749,391)	(455,933)	843,773	471,268	3,788,053	4,650,883	-	100	39,454	66,503	3,921,889	4,732,821
Grants to TEHN and related parties (Note 5)	(117,724)	-	(63,930)	(100,620)	(1,317,418)	(5,043,765)	-	-	-	-	(1,499,072)	(5,144,385)
Excess (deficiency) of revenue over expenses	(867,115)	(455,933)	779,843	370,648	2,470,635	(392,882)	-	100	39,454	66,503	2,422,817	(411,564)
Fund balances, beginning of year	1,610,369	1,359,106	2,137,569	1,817,464	7,809,427	8,852,734	14,480	14,390	441,916	381,631	12,013,761	12,425,325
Interfund transfers (Note 7)	696,546	707,196	(92,651)	(50,543)	(599,625)	(650,425)	(91)	(10)	(4,179)	(6,218)	-	-
Fund balances, end of year	1,439,800	1,610,369	2,824,761	2,137,569	9,680,437	7,809,427	14,389	14,480	477,191	441,916	14,436,578	12,013,761

** TEHN - Toronto East Health Network

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

Toronto East Health Network Foundation

(Operating as Michael Garron Hospital Foundation)

Statement of cash flows year ended March 31, 2017

	2017	2016
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	2,422,817	(411,564)
Non-operating expenses		
Contributions for endowment	(39,454)	(66,503)
Items not affecting cash		
Amortization of capital assets	805	1,778
	2,384,168	(476,289)
Change in non-cash operating items		
Prepaid expenses	(408,738)	39,856
Accounts receivable	17,958	17,840
Accounts payable and other accrued liabilities	(48,611)	83,206
Deferred revenue	464,196	(103,159)
	2,408,973	(438,546)
Investing activity		
Net change in short-term investments	(100,148)	(6,848,946)
Financing activity		
Contributions for endowment	39,454	66,503
Increase (decrease) in cash	2,348,279	(7,220,989)
Cash, beginning of year	2,568,132	9,789,121
Cash, end of year	4,916,411	2,568,132

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

Toronto East Health Network Foundation

(Operating as Michael Garron Hospital Foundation)

Notes to the financial statements

March 31, 2017

1. Nature of organization

The Toronto East Health Network 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 Health Network (the "Hospital").

2. 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 Chartered Professional Accountants of Canada 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

The Foundation follows the restricted fund method of accounting for contributions. Contributions are recorded when the cash is received. Pledges are not recorded in these financial statements as they are not legally enforceable claims.

The Foundation recognizes revenue for special events in the year in which the event occurs. Special event revenue received in the year for events subsequent to the year end are reflected in deferred revenue.

Unrestricted contributions are recognized as revenue in the year received. Donor-restricted contributions are recognized as revenue of the Restricted Fund unless the capital is to be maintained permanently, in which case the contributions are recognized as revenue of the Endowment Fund.

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.

Contributed securities

Gifts of publically-traded securities are recognized at the estimated fair value based on the average published price on the date of receipt, when such information is available, or other estimated fair value as applicable.

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 Health Network Foundation

(Operating as Michael Garron Hospital Foundation)

Notes to the financial statements

March 31, 2017

2. 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 may 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" and "Renewal" campaigns. 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

The fund includes externally (donor) endowed bequests and donations. If a bequest provides for specific program spending, the investment income is allocated to the appropriate restricted fund. Income from endowed funds is allocated in accordance with the restrictions on the original bequest or donation.

Use of estimates

In preparing the financial statements management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and fund balances and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses and changes in fund balances for the year. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include accrued liabilities and deferred revenue.

Financial instruments

The Foundation's financial assets are comprised of cash, short-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. 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.

Expense allocation

The Foundation allocates expense to respective activities. Salary and benefit expenses are allocated to programs based on the estimated time the staff person spends on the program. Other expenses are allocated specifically to the programs that they support.

Toronto East Health Network Foundation

(Operating as Michael Garron Hospital Foundation)

Notes to the financial statements

March 31, 2017

3. Capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Donor wall	25,360	25,360	-	-
Furniture and computer equipment	63,479	63,479	-	517
Leasehold improvements	2,895	2,895	-	288
	91,734	91,734	-	805

4. Short-term investments

Short-term investments consist of term deposits with original term to maturity of 90 days or less.

5. 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 \$269,140 (2016 - \$417,919) 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 (2016 - \$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 \$1,499,072 (2016 - \$5,144,385) to Toronto East Health Network.

6. Expense allocation

Expenses for the period have been allocated as follows:

				2017	2016
	General funds	Restricted funds	Campaign funds	Total	Total
	\$	\$	\$	\$	\$
Salaries and benefits	1,642,825	-	-	1,642,825	1,472,356
Amortization	805	-	-	805	1,793
General and office	266,620	1,695	-	268,315	290,005
Marketing and fundraising	752,796	243,740	2,000	998,536	872,270
Occupancy	6,000	-	-	6,000	6,000
Professional and consulting	103,404	-	-	103,404	373,653
	2,772,450	245,435	2,000	3,019,885	3,016,077

Toronto East Health Network Foundation

(Operating as Michael Garron Hospital Foundation)

Notes to the financial statements

March 31, 2017

7. Interfund transfers

During the year, the Board approved the transfer of \$4,179 (2016 - \$6,218) from the Endowment fund to the Restricted fund, which represents the annual return on investment made available for expenditure.

A total of \$696,546 (2016 - \$707,196) was transferred to the General funds from the Restricted and Campaign funds as a 10% allocation on restricted donations in accordance with Foundation policy.

8. Risk management

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations at March 31, 2017.

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, 2017, the Foundation's short-term investments are term deposits with a major Canadian financial institution. The maximum exposure to credit risk is 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 the changes in market prices. The Foundation is not exposed to significant market risk as the term of the deposits is 90 days or less.

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. While the interest rate earned on the term deposit is fixed, the term is 90 days or less. Changes in the prime interest rate will have a positive or negative impact on the Foundation's interest income.

9. Funds

a) *Restricted funds*

Restricted funds include the following:

	2017	2016
	\$	\$
<u>Externally restricted</u>	<u>2,824,761</u>	<u>2,137,569</u>

b) *Endowment funds*

Endowed funds include the following:

	2017	2016
	\$	\$
<u>Externally endowed</u>	<u>477,191</u>	<u>441,916</u>

Toronto East Health Network Foundation

(Operating as Michael Garron Hospital Foundation)

Notes to the financial statements

March 31, 2017

9. Funds (continued)

c) Campaign funds

Campaign funds include the following:

	2017	2016
	\$	\$
Externally restricted	6,688,225	5,111,020
Internally restricted	2,992,212	2,698,407
	9,680,437	7,809,427

10. Guarantees

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. Accounts payable and accrued liabilities

There are no outstanding government remittances as at March 31, 2017 and 2016.