

Financial statements of

**Toronto East General
Hospital Foundation**

March 31, 2014

Toronto East General Hospital Foundation

March 31, 2014

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 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, 2014, the statements 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 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, 2014 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, Chartered Accountants
Licensed Public Accountants
June 12, 2014

Toronto East General Hospital Foundation

Statement of financial position
as at March 31, 2014

						2014	2013
	General funds	Restricted funds	Campaign funds	Research funds	Endowment funds	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current assets							
Cash	437,839	238,758	53,146	14,390	1,650	745,783	1,302,243
Short term investments (Note 4)	450,000	1,400,000	10,956,566	-	189,873	12,996,439	16,897,263
Prepaid expenses	31,202	-	142,940	-	-	174,142	33,309
Accounts receivable	41,680	-	34,306	-	-	75,986	31,446
	960,721	1,638,758	11,186,958	14,390	191,523	13,992,350	18,264,261
Capital assets (Note 3)	4,361	-	-	-	-	4,361	8,556
	965,082	1,638,758	11,186,958	14,390	191,523	13,996,711	18,272,817
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities (Notes 5 and 11)	143,063	40	292,850	-	-	435,953	391,936
Deferred revenue	-	-	106,050	-	-	106,050	26,450
	143,063	40	398,900	-	-	542,003	418,386
Fund balances							
Invested in capital assets	4,361	-	-	-	-	4,361	8,556
Restricted	-	1,638,718	10,788,058	14,390	191,523	12,632,689	17,044,647
Unrestricted	817,658	-	-	-	-	817,658	801,228
	822,019	1,638,718	10,788,058	14,390	191,523	13,454,708	17,854,431
	965,082	1,638,758	11,186,958	14,390	191,523	13,996,711	18,272,817

Approved by the Board of Directors

_____ Director

_____ Director

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

Toronto East General Hospital Foundation

Statement of revenue, expenses and changes in fund balances year ended March 31, 2014

	General funds		Restricted funds		Campaign funds		Research funds		Endowment funds		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue												
Donations and fundraising events	-	2,770	303,657	141,057	3,167,252	7,173,994	-	-	12,566	-	3,483,475	7,317,821
Bequests	195,749	391,167	87,588	-	900,000	-	-	-	-	-	1,183,337	391,167
Investment income	265,798	210,972	-	-	-	-	-	-	2,712	(8,166)	268,510	202,806
	461,547	604,909	391,245	141,057	4,067,252	7,173,994	-	-	15,278	(8,166)	4,935,322	7,911,794
Fundraising and administrative expenses (Note 6)	756,785	620,110	484	1,101	1,984,826	2,766,130	-	-	-	-	2,742,095	3,387,341
Excess (deficiency) of revenue over fundraising and administrative expenses before grants to TEGH** and related parties	(295,238)	(15,201)	390,761	139,956	2,082,426	4,407,864	-	-	15,278	(8,166)	2,193,227	4,524,453
Grants to TEGH and related parties (Note 5)	(1,000)	(170,460)	(49,874)	(153,497)	(6,542,076)	(100,000)	-	-	-	-	(6,592,950)	(423,957)
Excess (deficiency) of revenue over expenses	(296,238)	(185,661)	340,887	(13,541)	(4,459,650)	4,307,864	-	-	15,278	(8,166)	(4,399,723)	4,100,496
Fund balances, beginning of year	809,784	442,707	2,331,650	2,294,056	14,521,511	9,165,722	14,390	14,390	177,096	1,837,060	17,854,431	13,753,935
Interfund transfers (Note 7)	308,473	552,738	(1,033,819)	51,135	726,197	1,047,925	-	-	(851)	(1,651,798)	-	-
Fund balances, end of year	822,019	809,784	1,638,718	2,331,650	10,788,058	14,521,511	14,390	14,390	191,523	177,096	13,454,708	17,854,431

** TEGH - Toronto East General Hospital

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

Toronto East General Hospital Foundation

Statement of cash flows year ended March 31, 2014

	2014	2013
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	(4,399,723)	4,100,496
Items not affecting cash		
Amortization of capital assets	4,195	7,880
	(4,395,528)	4,108,376
Change in non-cash operating items		
Prepaid expenses	(140,833)	601,811
Accounts receivable	(44,540)	11,753
Accounts payable and other accrued liabilities	44,017	46,207
Deferred revenue	79,600	(816,496)
	(4,457,284)	3,951,651
Investing activities		
Proceeds on disposition of short-term investments	3,900,824	-
Acquisition of short term investments	-	(7,891,318)
Proceeds on disposition of long-term investments	-	4,525,155
	3,900,824	(3,366,163)
(Decrease) increase in cash	(556,460)	585,488
Cash, beginning of year	1,302,243	716,755
Cash, end of year	745,783	1,302,243

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

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2014

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. 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.

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.

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2014

2. Summary of significant accounting policies (continued)

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.

3. Capital assets

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Donor wall	25,360	25,360	-	780
Furniture	41,951	40,538	1,413	3,616
Computer software	13,658	12,157	1,501	2,134
Computer equipment	12,579	12,579	-	-
Leasehold improvements	2,895	1,448	1,447	2,026
	96,443	92,082	4,361	8,556

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2014

4. Investments

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

Risk management

The Foundation's short term investments are exposed to the financial risks described below.

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, 2014, 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 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 deposits 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.

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 \$390,648 (2013 - \$338,457) 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 (2013 - \$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 \$6,592,950 (2013 - \$423,957) to Toronto East General Hospital.

6. Expense allocation

The Foundation allocates expense to respective activities. Salary and benefit expenses of \$1,474,326 (2013 - \$1,234,871) are allocated to programs based on the estimated time the staff person spends on the program, resulting in \$454,300 (2013 - \$391,472) being charged to the general funds and \$1,020,026 (2013 - \$843,399) being charged to the Campaign funds. Other expenses are allocated specifically to the programs that they support.

Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2014

6. Expense allocation (continued)

				2014	2013
	General funds	Restricted funds	Campaign funds	Total	Total
	\$	\$	\$	\$	\$
Salaries and benefits	454,300	-	1,020,026	1,474,326	1,234,871
Amortization	4,195	-	-	4,195	7,880
General and office	157,388	-	59,393	216,781	220,549
Marketing and fundraising	13,736	484	809,020	823,240	1,796,102
Occupancy	6,000	-	-	6,000	6,000
Professional and consulting	121,166	-	96,387	217,553	121,939
	756,785	484	1,984,826	2,742,095	3,387,341

7. Interfund transfers

During the year, the Board approved the transfer of \$851 (2013 - \$65,139) from the Endowment fund to the Restricted fund, which represents the annual return on investment made available for expenditure.

A total of \$308,473 (2013 - \$552,738) 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 \$Nil (2013 - \$1,586,659) 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.

A total of \$1,010,553 (2013 - \$Nil) was transferred from the Restricted Fund to the Campaign Fund which represents the balances of the Restricted funds allocated to the da Vinci Surgical System/ Robot project which will be granted as part of the CARE Campaign.

8. Pledges

The Foundation has outstanding pledges for future donations as follows:

	2014	2013
	\$	\$
Restricted funds	9,650	19,650
Campaign funds	4,208,876	4,544,521
	4,218,526	4,564,171

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, 2014

9. Funds

a) *Restricted funds*

Restricted funds include the following:

	2014	2013
	\$	\$
Externally restricted	1,581,130	2,331,650

b) *Endowment funds*

Endowed funds include the following:

	2014	2013
	\$	\$
Externally endowed	191,523	177,096

c) *Campaign funds*

Campaign funds include the following:

	2014	2013
	\$	\$
Externally restricted	9,888,058	14,521,511
Internally restricted	900,000	-
	10,788,058	14,521,511

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, 2014.