

Financial statements of

**Toronto East General  
Hospital Foundation**

March 31, 2016

# Toronto East General Hospital Foundation

March 31, 2016

## 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



Deloitte LLP  
Bay Adelaide East  
22 Adelaide Street West  
Suite 200  
Toronto ON M5H 0A9  
Canada

Tel: 416-601-6150  
Fax: 416-601-6610  
[www.deloitte.ca](http://www.deloitte.ca)

## **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, 2016, 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, 2016 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 10, 2016

# Toronto East General Hospital Foundation

Statement of financial position  
as at March 31, 2016

						2016	2015
	General funds	Restricted funds	Campaign funds	Research funds	Endowment funds	Total	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>							
Current assets							
Cash	2,113,016	-	436,855	14,479	3,782	2,568,132	9,789,121
Short term investments (Note 4)	3,919	2,282,337	7,391,471	-	438,134	10,115,861	3,266,915
Accounts receivable	49,015	9,743	9,821	-	-	68,579	86,419
Prepaid expenses	15,125	6,453	-	-	-	21,578	61,434
	<b>2,181,075</b>	<b>2,298,533</b>	<b>7,838,147</b>	<b>14,479</b>	<b>441,916</b>	<b>12,774,150</b>	13,203,889
Capital assets (Note 3)	805	-	-	-	-	805	2,583
	<b>2,181,880</b>	<b>2,298,533</b>	<b>7,838,147</b>	<b>14,479</b>	<b>441,916</b>	<b>12,774,955</b>	13,206,472
<b>Liabilities</b>							
Current liabilities							
Accounts payable and accrued liabilities (Notes 5 and 11)	525,010	22,087	28,720	-	-	575,817	492,611
Deferred revenue	46,500	138,877	-	-	-	185,377	288,536
	<b>571,510</b>	<b>160,964</b>	<b>28,720</b>	-	-	<b>761,194</b>	781,147
<b>Fund balances</b>							
Invested in capital assets	805	-	-	-	-	805	2,583
Restricted	-	2,137,569	7,809,427	14,479	441,916	10,403,391	11,066,219
Unrestricted	1,609,565	-	-	-	-	1,609,565	1,356,523
	<b>1,610,370</b>	<b>2,137,569</b>	<b>7,809,427</b>	<b>14,479</b>	<b>441,916</b>	<b>12,013,761</b>	12,425,325
	<b>2,181,880</b>	<b>2,298,533</b>	<b>7,838,147</b>	<b>14,479</b>	<b>441,916</b>	<b>12,774,955</b>	13,206,472

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

## Statement of revenue, expenses and changes in fund balances year ended March 31, 2016

	General funds		Restricted funds		Campaign funds		Research funds		Endowment funds		Total	Total
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>												
Donations and fundraising events	768,000	-	614,275	252,960	4,489,517	4,763,301	100	-	62,894	12,499	5,934,786	5,028,760
Bequests	567,912	798,647	3,417	2,250	1,119,470	2,178,937	-	-	-	175,000	1,690,799	3,154,834
Investment income	124,183	186,910	(1,957)	-	(2,522)	-	-	-	3,609	2,609	123,313	189,519
	<b>1,460,095</b>	985,557	<b>615,735</b>	255,210	<b>5,606,465</b>	6,942,238	<b>100</b>	-	<b>66,503</b>	190,108	<b>7,748,898</b>	8,373,113
Fundraising and administrative expenses (Note 6)	1,916,028	910,685	144,467	227	955,582	2,985,402	-	-	-	-	3,016,077	3,896,314
Excess (deficiency) of revenue over fundraising and administrative expenses before grants to TEGH** and related parties	(455,933)	74,872	471,268	254,983	4,650,883	3,956,836	100	-	66,503	190,108	4,732,821	4,476,799
Grants to TEGH and related parties (Note 5)	-	-	(100,620)	(56,182)	(5,043,765)	(5,450,000)	-	-	-	-	(5,144,385)	(5,506,182)
Excess (deficiency) of revenue over expenses	(455,933)	74,872	370,648	198,801	(392,882)	(1,493,164)	100	-	66,503	190,108	(411,564)	(1,029,383)
Fund balances, beginning of year	1,359,106	822,019	1,817,464	1,638,718	8,852,734	10,788,058	14,390	14,390	381,631	191,523	12,425,325	13,454,708
Interfund transfers (Note 7)	707,196	462,215	(50,543)	(20,055)	(650,425)	(442,160)	(10)	-	(6,218)	-	-	-
<b>Fund balances, end of year</b>	<b>1,610,369</b>	1,359,106	<b>2,137,569</b>	1,817,464	<b>7,809,427</b>	8,852,734	<b>14,480</b>	14,390	<b>441,916</b>	381,631	<b>12,013,761</b>	12,425,325

\*\* 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

## Statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
<b>Operating activities</b>		
Deficiency of revenue over expenses	(411,564)	(1,029,383)
Non-operating expenses		
Contributions for endowment	(66,503)	(190,108)
Items not affecting cash		
Amortization of capital assets	1,778	1,778
	(476,289)	(1,217,713)
Change in non-cash operating items		
Prepaid expenses	39,856	112,708
Accounts receivable	17,840	(10,433)
Accounts payable and other accrued liabilities	83,206	56,658
Deferred revenue	(103,159)	182,486
	(438,546)	(876,294)
<b>Investing activity</b>		
Net change in short-term investments	(6,848,946)	9,729,524
<b>Financing activity</b>		
Contributions for endowment	66,503	190,108
Decrease (increase) in cash	(7,220,989)	9,043,338
Cash, beginning of year	9,789,121	745,783
<b>Cash, end of year</b>	<b>2,568,132</b>	<b>9,789,121</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, 2016

---

### 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*

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 General Hospital Foundation

## Notes to the financial statements

March 31, 2016

---

### 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" 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

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 as per 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 investments.

##### *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. 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.

##### *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 General Hospital Foundation

Notes to the financial statements

March 31, 2016

### 3. Capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Donor wall	25,360	25,360	-	-
Furniture and computer equipment	68,188	67,671	517	1,715
Leasehold improvements	2,895	2,607	288	868
	<b>96,443</b>	<b>95,638</b>	<b>805</b>	<b>2,583</b>

### 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 \$417,919 (2015 - \$335,057) 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 (2015 - \$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 \$5,144,385 (2015 - \$5,506,182) to Toronto East General Hospital.

### 6. Expense allocation

Expenses for the period have been allocated as follows:

				2016	2015
	General funds	Restricted funds	Campaign funds	Total	Total
	\$	\$	\$	\$	\$
Salaries and benefits	988,670	-	483,686	1,472,356	1,348,687
Amortization	1,793	-	-	1,793	1,777
General and office	269,177	355	20,473	290,005	284,629
Marketing and fundraising	435,564	66,156	370,550	872,270	1,971,378
Occupancy	6,000	-	-	6,000	6,000
Professional and consulting	214,824	77,956	80,873	373,653	283,843
	<b>1,916,028</b>	<b>144,467</b>	<b>955,582</b>	<b>3,016,077</b>	<b>3,896,314</b>

# Toronto East General Hospital Foundation

## Notes to the financial statements

March 31, 2016

---

### 7. Interfund transfers

During the year, the Board approved the transfer of \$6,218 (2015 - \$Nil) from the Endowment fund to the Restricted fund, which represents the annual return on investment made available for expenditure.

A total of \$707,196 (2015 - \$462,215) was transferred to the General funds from the Restricted and Campaign funds as a 10% allocation on restricted donations as per Foundation policy.

### 8. Risk management

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the corporation's risk exposure and concentrations at March 31, 2016.

#### *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, 2016, 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:

	2016	2015
	\$	\$
<u>Externally restricted</u>	<u>2,137,569</u>	<u>1,817,464</u>

#### b) *Endowment funds*

Endowed funds include the following:

	2016	2015
	\$	\$
<u>Externally endowed</u>	<u>441,916</u>	<u>381,631</u>

# Toronto East General Hospital Foundation

Notes to the financial statements

March 31, 2016

---

## 9. Funds

### c) Campaign funds

Campaign funds include the following:

	2016	2015
	\$	\$
Externally restricted	5,111,020	7,273,797
Internally restricted	2,698,407	1,578,937
	<b>7,809,427</b>	<b>8,852,734</b>

## 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, 2016 and 2015.

## 12. Comparative figures

Certain comparative figures have been reclassified to conform to 2016 presentation. These include Campaign fund Donations and fundraising events, and Campaign funds Fundraising and administrative expenses.

## 13. Subsequent event

Effective April 1, 2016, Toronto East General Hospital changed its legal name to Toronto East Health Network doing business as Michael Garron Hospital.