
Financial statements of
Toronto East Health Network
Foundation
(Operating as Michael Garron Hospital Foundation)

March 31, 2018

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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, 2018, 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 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, 2018 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 14, 2018

Toronto East Health Network Foundation (Operating as Michael Garron Hospital Foundation)

Statement of financial position

As at March 31, 2018

						2018	2017
Notes	General funds	Restricted funds	Capital and Redevelopment funds	Research funds	Endowment funds	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current assets							
	Cash						
	56,877	419,343	390,579	14,389	29,707	910,895	4,916,411
4	Short term investments	2,225,000	16,600,000	—	544,251	21,325,923	10,216,009
	Accounts receivable	—	—	—	—	47,770	50,621
	Prepaid expenses	—	—	—	—	68,925	430,316
	2,130,244	2,644,343	16,990,579	14,389	573,958	22,353,513	15,613,357
	Capital assets						
3	7,576	—	—	—	—	7,576	—
	2,137,820	2,644,343	16,990,579	14,389	573,958	22,361,089	15,613,357
Liabilities							
Current liabilities							
	Accounts payable and accrued liabilities						
5 and 11	377,079	—	—	—	—	377,079	527,206
	Deferred revenue	—	—	—	—	84,500	649,573
	461,579	—	—	—	—	461,579	1,176,779
Fund balances							
	Invested in capital assets						
	7,576	—	—	—	—	7,576	—
	Restricted	2,644,343	16,990,579	14,389	573,958	20,223,269	12,996,778
	Unrestricted	—	—	—	—	1,668,665	1,439,800
	1,668,665	2,644,343	16,990,579	14,389	573,958	21,899,510	14,436,578
	2,137,820	2,644,343	16,990,579	14,389	573,958	22,361,089	15,613,357

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

Approved by the Board of Directors

_____ Director

_____ Director

Toronto East Health Network Foundation (Operating as Michael Garron Hospital Foundation)
Statement of revenue, expenses and changes in fund balances
Year ended March 31, 2018

Notes	General funds		Restricted funds		Capital and Redevelopment funds		Research funds		Endowment funds		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
						Note 7 (iii)						
Revenue												
Donations and fundraising events	3,386,950	1,700,336	375,577	1,068,291	8,570,161	3,496,248	15,000	—	40,473	35,175	12,388,161	6,300,050
Bequests	561,181	200,298	3,039	20,917	25,000	293,805	—	—	58,158	—	647,378	515,020
Investment income	211,824	122,425	—	—	—	—	—	—	6,329	4,279	218,153	126,704
	4,159,955	2,023,059	378,616	1,089,208	8,595,161	3,790,053	15,000	—	104,960	39,454	13,253,692	6,941,774
Fundraising and administrative expenses	3,961,820	2,772,450	20,265	245,435	—	2,000	—	—	—	—	3,982,085	3,019,885
Excess (deficiency) of revenue over fundraising and administrative expenses before grants to TEHN** and related parties	198,135	(749,391)	358,351	843,773	8,595,161	3,788,053	15,000	—	104,960	39,454	9,271,607	3,921,889
Grants to TEHN and related parties	(56,364)	(117,724)	(262,115)	(63,930)	(1,475,196)	(1,317,418)	(15,000)	—	—	—	(1,808,675)	(1,499,072)
Excess (deficiency) of revenue over expenses	141,771	(867,115)	96,236	779,843	7,119,965	2,470,635	—	—	104,960	39,454	7,462,932	2,422,817
Fund balances, beginning 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
Interfund transfers	94,670	696,546	(276,654)	(92,651)	190,177	(599,625)	—	(91)	(8,193)	(4,179)	—	—
Fund balances, end of year	1,676,241	1,439,800	2,644,343	2,824,761	16,990,579	9,680,437	14,389	14,389	573,958	477,191	21,899,510	14,436,578

** TEHN - Toronto East Health Network

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

Toronto East Health Network Foundation
 (Operating as Michael Garron Hospital Foundation)
Statement of cash flows
 Year ended March 31, 2018

	2018	2017
	\$	\$
Operating activities		
Excess of revenue over expenses	7,462,932	2,422,817
Non-operating expenses		
Contributions for endowment	(104,960)	(39,454)
Items not affecting cash		
Amortization of capital assets	655	805
	7,358,627	2,384,168
Change in non-cash operating items		
Prepaid expenses	361,391	(408,738)
Accounts receivable	2,851	17,958
Accounts payable and other accrued liabilities	(150,127)	(48,611)
Deferred revenue	(565,073)	464,196
	7,007,669	2,408,973
Investing activity		
Net change in short-term investments	(11,109,914)	(100,148)
Acquisition of capital assets	(8,231)	—
	(11,118,145)	(100,148)
Financing activity		
Contributions for endowment	104,960	39,454
(Decrease) increase in cash	(4,005,516)	2,348,279
Cash, beginning of year	4,916,411	2,568,132
Cash, end of year	910,895	4,916,411

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

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.

2. Summary of significant accounting policies (continued)

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 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.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

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.

3. Capital assets

	2018		2017
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Donor wall	25,360	25,360	—
Furniture and computer equipment	8,231	655	7,576
Leasehold improvements	2,895	2,895	—
	36,486	28,910	7,576

4. Short-term investments

Short-term investments consist of term deposits with original term to maturity of one year 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 \$147,693 (\$269,140 in 2017) which is due to the Hospital for reimbursement of operating expenses paid by the Hospital on behalf of the Foundation.

Toronto East Health Network Foundation
 (Operating as Michael Garron Hospital Foundation)
Notes to the financial statements
 March 31, 2018

5. Related party balances and transactions (continued)

Rent

During the year, the Foundation paid \$6,000 (\$6,000 in 2017) in premises rent to the Hospital.

Grants

Grants to the Hospital during the year were cash transactions used for the purchase of hospital equipment, research and education. The Foundation transferred \$1,808,675 (\$1,499,072 in 2017) to Toronto East Health Network.

6. Expenses

Expenses for the period have been incurred as follows:

	2018	2017
	Total	Total
	\$	\$
Salaries and benefits	1,810,135	1,642,825
Amortization	655	805
General and office	209,629	268,315
Marketing and fundraising	1,872,215	998,536
Occupancy	6,000	6,000
Professional and consulting	83,451	103,404
	3,982,085	3,019,885

7. Interfund transfers

		Capital and			
		Unrestricted	Restricted	Redevelopment	Endowed
		\$	\$	\$	\$
Administrative levy	i	125,862	(28,696)	(97,166)	—
Endowment interest	ii	—	8,193	—	(8,193)
Heart of the East Campaign					
fund adjustments	iii	(34,251)	(295,076)	329,327	—
Other adjustments	iv	3,059	38,925	(41,984)	—
		94,670	(276,654)	190,177	(8,193)

7. Interfund transfers (continued)

The Board approved the following:

- i) the transfer of \$125,862 (\$692,276 in 2017) to the General fund from the Restricted and Capital and Redevelopment funds as a 10% allocation on restricted donations in accordance with Foundation policy.
- ii) the transfer of \$8,193 (\$4,179 in 2017) to the Restricted fund from the Endowment fund, relating to the annual return on investment made available for expenditure.
- iii) the presentation of the new Capital and Redevelopment fund (presented as the Campaign fund in 2017). To reflect this new presentation, the Board approved the transfer of \$329,327 (\$nil in 2017) to the Capital and Redevelopment fund from the Unrestricted and Restricted funds in accordance with previous restrictions.
- iv) the transfer of \$3,059 to the Unrestricted fund and \$38,925 to the Restricted fund from the Capital and Redevelopment fund (in 2017 named the Campaign fund) related to prior period campaigns in accordance with donor directives.

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, 2018.

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, 2018, 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 market risk as investments are held in fixed rate term deposits with terms of up to one year.

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. The interest rates earned on the Foundation’s term deposits are fixed. 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:

	2018	2017
	\$	\$
Externally restricted	2,644,343	2,824,761

9. Funds (continued)

(b) Endowment funds

Endowed funds include the following:

	2018	2017
	\$	\$
Externally endowed	573,958	477,191

(c) Campaign funds

Campaign funds include the following:

	2018	2017
	\$	\$
Externally restricted	15,186,642	6,688,225
Internally restricted	1,803,937	2,992,212
	16,990,579	9,680,437

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, 2018 and 2017.