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

March 31, 2021

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Independent Auditor's Report

To the Members of
Toronto East Health Network Foundation

Opinion

We have audited the financial statements of Toronto East Health Network Foundation, which comprise the statement of financial position as at March 31, 2021, and the statements of revenue, expenses and changes in fund balances and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Toronto East Health Network Foundation as at March 31, 2021, and 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Toronto East Health Network Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing Toronto East Health Network Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Toronto East Health Network Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Toronto East Health Network Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Toronto East Health Network Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Toronto East Health Network Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Toronto East Health Network Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 10, 2021

Toronto East Health Network Foundation
(Operating as Michael Garron Hospital Foundation)
Statement of financial position
As at March 31, 2021

	Notes	General funds	Restricted funds	Capital and Redevelopment funds	Research funds	Endowment funds	2021 Total	2020 Total
		\$	\$	\$	\$	\$	\$	\$
Assets								
Current assets								
Cash		1,142,404	389,493	91,904	245,822	20,321	1,889,944	1,525,400
Short-term investments	4	3,776,651	4,000,000	21,719,905	1,250,000	—	30,746,556	25,521,849
Accounts receivable		65,915	5,431	—	—	—	71,346	40,143
Prepaid expenses		77,490	—	—	—	—	77,490	82,827
		5,062,460	4,394,924	21,811,809	1,495,822	20,321	32,785,336	27,170,219
Capital assets								
Long-term investments	3 4	13,029	—	—	—	—	13,029	15,410
		—	—	—	—	855,692	855,692	2,614,470
		5,075,489	4,394,924	21,811,809	1,495,822	876,013	33,654,057	29,800,099
Liabilities								
Current liabilities								
Accounts payable and accrued liabilities	5 and 11	406,930	33,065	9,917	—	—	449,912	378,575
Deferred revenue		45,000	—	—	—	—	45,000	80,000
		451,930	33,065	9,917	—	—	494,912	458,575
Fund balances								
Invested in capital assets		13,029	—	—	—	—	13,029	15,410
Restricted	9	—	4,361,859	21,801,892	1,495,822	876,013	28,535,586	25,842,588
Unrestricted		4,610,530	—	—	—	—	4,610,530	3,483,526
		4,623,559	4,361,859	21,801,892	1,495,822	876,013	33,159,145	29,341,524
		5,075,489	4,394,924	21,811,809	1,495,822	876,013	33,654,057	29,800,099

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, 2021

		General funds		Restricted funds		Capital and Redevelopment funds		Research funds		Endowment funds		Total	Total
	Notes	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue													
Donations and fundraising events		2,325,895	3,038,834	1,814,946	872,426	7,668,024	5,836,990	205,000	150,000	25,500	82,896	12,039,365	9,981,146
Bequests		564,775	473,937	—	1,000	—	19,834	7,928	7,543	—	1,412	572,703	503,726
Investment income		448,371	571,752	—	—	—	—	—	—	18,067	19,905	466,438	591,657
		3,339,041	4,084,523	1,814,946	873,426	7,668,024	5,856,824	212,928	157,543	43,567	104,213	13,078,506	11,076,529
Fundraising and administrative expenses	5 and 6	2,993,588	3,656,217	16,993	—	147,487	408,274	—	—	—	—	3,158,068	4,064,491
Excess of revenue over fundraising and administrative expenses before grants to TEHN** and related parties		345,453	428,306	1,797,953	873,426	7,520,537	5,448,550	212,928	157,543	43,567	104,213	9,920,438	7,012,038
Unrealized (losses) gains		—	—	—	—	—	—	—	—	106,672	(41,685)	106,672	(41,685)
Grants to TEHN	5	—	(35,641)	(799,174)	(827,891)	(5,200,725)	(1,100,324)	(209,590)	(68,985)	—	—	(6,209,489)	(2,032,841)
Excess (deficiency) of revenue over expenses		345,453	392,665	998,779	45,535	2,319,812	4,348,226	3,338	88,558	150,239	62,528	3,817,621	4,937,512
Fund balances, beginning of year		3,498,936	2,444,627	3,533,969	3,597,083	21,369,068	17,558,083	213,777	140,973	725,774	663,246	29,341,524	24,404,012
Interfund transfers	7	779,170	661,644	(170,889)	(108,649)	(1,886,988)	(537,241)	1,278,707	(15,754)	—	—	—	—
Fund balances, end of year		4,623,559	3,498,936	4,361,859	3,533,969	21,801,892	21,369,068	1,495,822	213,777	876,013	725,774	33,159,145	29,341,524

** 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, 2021

	2021	2020
	\$	\$
Operating activities		
Excess of revenue over expenses	3,817,621	4,937,512
Non-operating transactions		
Contributions for endowment	(150,239)	(62,528)
Items not affecting cash		
Amortization of capital assets	6,042	5,445
	3,673,424	4,880,429
Change in non-cash operating items		
Prepaid expenses	5,337	209,753
Accounts receivable	(31,203)	27,330
Accounts payable and other accrued liabilities	71,337	(20,129)
Deferred revenue	(35,000)	(389,130)
	3,683,895	4,708,253
Investing activities		
Sale and maturity of investments	12,123,445	39,234,131
Acquisition of investments	(15,589,374)	(44,454,244)
Acquisition of capital assets	(3,661)	(6,093)
	(3,469,590)	(5,226,206)
Financing activity		
Contributions for endowment	150,239	62,528
Increase (decrease) in cash during the year	364,544	(455,425)
Cash, beginning of year	1,525,400	1,980,825
Cash, end of year	1,889,944	1,525,400

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 as deferred revenue on the statement of financial position until the event occurs.

Unrestricted contributions are recognized as revenue in the year received. Donor-restricted contributions are recognized as revenue of the Restricted Funds, capital and redevelopment funds or research funds depending on the donor restriction; unless the capital is to be maintained permanently, in which case the contributions are recognized as revenue of the Endowment Funds.

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 funds.

Capital and Redevelopment funds

Capital and Redevelopment funds include contributions raised from major campaigns restricted for major redevelopment projects at the Hospital. The Campaign funds are attributed to the "Heart of the East" and "Above All We CARE" campaigns. Investment income earned on these funds is unrestricted and is recorded in the General funds.

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, in accordance with the accounting standards for not-for-profit organizations, 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 and long-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 short-term and long-term 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

	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Furniture and computer equipment	27,668	14,639	13,029	15,410

4. Short-term and long-term investments

Short-term investments consist of an interest savings account and term deposits with original term to maturity of one year or less and earn interest at an annual rate of 0.35% to 2.35% (2020 – 1.05% to 2.29%).

Long-term investments as at March 31, 2020 include a redeemable term deposit held for by the investment assets of the Capital and Redevelopment Fund. Long-term investments include the pooled funds investment portfolio set up to hold the investment assets and the Endowment Funds with the objective being capital preservation and income generation to endowment fund dedicated purposes.

	Annual yield	Maturity	Fair market value \$	2021 Cost \$	Fair market value \$	2020 Cost \$
Cash and equivalents held in investment account			201	201	3,747	3,747
Term deposit	2.35%	July 15, 2021	—	—	2,010,517	2,010,517
Pooled Funds			855,491	775,534	600,206	626,814
Balanced Funds			855,692	775,735	2,614,470	2,641,078

Toronto East Health Network Foundation
 (Operating as Michael Garron Hospital Foundation)
Notes to the financial statements
 March 31, 2021

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 \$202,061 (\$173,001 as at March 31, 2020) 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 (\$6,000 in 2020) 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 \$6,209,489 (\$2,032,841 in 2020) to Toronto East Health Network.

Included in the above transactions is a \$5,000,000 grant (\$nil in 2020) to towards the redevelopment of the new Patient Care Centre that is currently under construction. The remaining of the above transactions were made in the normal course of business and have been recorded at the exchange amount, which is the amount agreed to by the related parties.

6. Fundraising and administrative expenses

Expenses for the fiscal year ended are as follows:

	2021	2020
	\$	\$
Salaries and wages	1,988,021	2,238,578
Amortization of capital assets	6,042	5,445
General and office	237,175	248,907
Marketing and fundraising	893,813	1,517,689
Occupancy	6,000	6,000
Professional and consulting	27,017	47,872
	3,158,068	4,064,491

7. Interfund transfers

	General	Restricted	Capital and redevelopment	Research
	\$	\$	\$	\$
Administrative levy (i)	704,170	(166,075)	(516,802)	(21,293)
Allocate Garron Funds (ii)	75,000	—	(1,375,000)	1,300,000
Other adjustments (iii)	—	(4,814)	4,814	—
	779,170	(170,889)	(1,886,988)	1,278,707

7. Interfund transfers (continued)

The Board approved the following:

- (i) the transfer of \$704,170 (\$661,644 in 2020) to the General funds from the Restricted, Capital and Redevelopment and Research funds as a 10% allocation on restricted donations in accordance with Foundation policy.
- (ii) the transfer of \$1,375,000 (\$nil in 2020) to the General funds and Research funds from the Capital and Redevelopment funds to allocate Garron dollars to unrestricted, research and Chairs for the hospital.
- (iii) the transfer of \$4,814 (\$48,451 in 2020) to the Capital Redevelopment funds from the Restricted funds 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, 2021.

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, 2021, the Foundation's short-term and long-term investments include 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's exposure to market risk is limited to its pooled fund investments. The majority of the Foundation's investments are held in fixed rate term deposits which are not exposed to market risk.

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.

Liquidity risk

Liquidity risk relates to the potential that the Foundation will not be able to meet a demand for cash or fund its obligations as they come due as a result of the Foundation's inability to liquidate assets in a timely manner and at a reasonable price. The Foundation is not exposed to liquidity risk.

Toronto East Health Network Foundation
 (Operating as Michael Garron Hospital Foundation)
Notes to the financial statements
 March 31, 2021

9. Funds

(a) *Restricted funds*

Restricted funds include the following:

	2021	2020
	\$	\$
Externally restricted	4,361,859	3,533,969

(b) *Endowment funds*

Endowed funds include the following:

	2021	2020
	\$	\$
Externally endowed	876,013	725,774

(c) *Capital and redevelopment funds*

Capital and redevelopment funds include the following:

	2021	2020
	\$	\$
Externally restricted	21,386,842	19,026,678
Internally restricted	415,050	2,342,390
	21,801,892	21,369,068

(d) *Research funds*

Research funds include the following:

	2021	2020
	\$	\$
Externally restricted	1,495,822	213,777

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, 2021 and 2020.