

Toronto General & Western Hospital Foundation

Financial statements
March 31, 2019



Independent auditor's report

To the Members of
Toronto General & Western Hospital Foundation

Report on the financial statements

Opinion

We have audited the financial statements of the **Toronto General & Western Hospital Foundation** [the "Foundation"], which comprise the balance sheet as at March 31, 2019 and the statement of revenue, expenses and changes in fund balances and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Foundation as at March 31, 2019 and in 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. 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 the 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 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 the 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 the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the 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 the 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 the 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.

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Ernst + Young LLP

Toronto, Canada
June 18, 2019

Chartered Professional Accountants
Licensed Public Accountants



Toronto General & Western Hospital Foundation

Balance sheet

[in thousands of dollars]

As at March 31

	2019	2018
	\$	\$
Assets		
Cash and cash equivalents	34,671	43,610
Accounts receivable <i>[note 12]</i>	4,862	287
Prepaid expenses	288	98
Due from University Health Network, net <i>[notes 9[e] and [g]]</i>	7,196	7,084
Investments, fair value <i>[note 3]</i>	596,283	518,533
Capital assets, net <i>[note 4]</i>	102	73
	643,402	569,685
Liabilities and fund balances		
Current		
Accounts payable and accrued liabilities	1,969	1,825
Deferred revenue	789	650
Total current liabilities	2,758	2,475
Fund balances		
General Fund	492	313
Expendable Restricted Fund <i>[note 5]</i>	370,296	312,666
Endowment Fund <i>[note 6]</i>	269,856	254,231
Total fund balances	640,644	567,210
	643,402	569,685

See accompanying notes

On behalf of the Board:

Director

Director

Toronto General & Western Hospital Foundation

Statement of revenue, expenses and changes in fund balances

[in thousands of dollars]

Year ended March 31

	General Fund		Expendable Restricted Fund		Endowment Fund		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Donations <i>[notes 9[f], [g] and 10]</i>	3,214	2,633	120,948	87,186	12,862	6,801	137,024	96,620
Special events	—	—	7,901	9,520	—	—	7,901	9,520
Bequests	4,983	926	2,402	3,073	50	177	7,435	4,176
Total fundraising revenue	8,197	3,559	131,251	99,779	12,912	6,978	152,360	110,316
Investment income <i>[notes 6 and 7]</i>	15,951	8,011	6,555	4,938	2,265	1,239	24,771	14,188
	24,148	11,570	137,806	104,717	15,177	8,217	177,131	124,504
Expenses								
Fundraising and administrative <i>[notes 9[c] and 11]</i>	14,102	11,990	5,013	5,799	—	—	19,115	17,789
Excess (deficiency) of revenue over expenses before grants	10,046	(420)	132,793	98,918	15,177	8,217	158,016	106,715
Grants to University Health Network <i>[note 9[b]]</i>	—	—	(81,840)	(76,858)	—	—	(81,840)	(76,858)
Grants to other qualified donees	—	—	(2,742)	(3,825)	—	—	(2,742)	(3,825)
Total grants	—	—	(84,582)	(80,683)	—	—	(84,582)	(80,683)
Excess (deficiency) of revenue over expenses and grants for the year	10,046	(420)	48,211	18,235	15,177	8,217	73,434	26,032
Fund balances, beginning of year	313	635	312,666	290,423	254,231	250,120	567,210	541,178
Transfers between funds <i>[note 8]</i>	(9,867)	98	9,419	4,008	448	(4,106)	—	—
Fund balances, end of year	492	313	370,296	312,666	269,856	254,231	640,644	567,210

See accompanying notes

Toronto General & Western Hospital Foundation

Statement of cash flows

[in thousands of dollars]

Year ended March 31

	2019	2018
	\$	\$
Operating activities		
Excess of revenue over expenses and grants for the year	73,434	26,032
Add item not involving cash		
Amortization of capital assets	21	26
Changes in non-cash working capital balances related to operations		
Accounts receivable	(4,575)	37
Prepaid expenses	(190)	169
Due from/to University Health Network	(112)	423
Accounts payable and accrued liabilities	144	20
Deferred revenue	139	(218)
Reinvested investment income	(24,771)	(14,188)
Cash provided by operating activities	44,090	12,301
Investing activities		
Transfer to externally managed investments	(53,278)	(30,000)
Transfer from externally managed investments	299	9,855
Additions to capital assets	(50)	(4)
Cash used in investing activities	(53,029)	(20,149)
Net decrease in cash during the year	(8,939)	(7,848)
Cash and cash equivalents, beginning of year	43,610	51,458
Cash and cash equivalents, end of year	34,671	43,610

See accompanying notes

Toronto General & Western Hospital Foundation

Notes to financial statements

[in thousands of dollars, unless otherwise indicated]

March 31, 2019

1. Purpose of the organization

Toronto General & Western Hospital Foundation [the "Foundation"] is incorporated under the laws of Ontario as a corporation without share capital. The Foundation raises, receives, accumulates and distributes funds and/or the income therefrom for charitable purposes and, in particular, for the benefit of University Health Network ["UHN"] in respect of medical research, education and other activities related to health care.

The Foundation is a public foundation registered under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes under Registration #12386 4068 RR 0001.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Fund accounting

The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided. For financial reporting purposes, the Foundation's funds have been classified as follows:

The General Fund comprises amounts available for immediate use for the general purposes of the Foundation as determined by the Board of Directors [the "Board"].

The Expendable Restricted Fund comprises amounts that are to be used for specific purposes as specified by the donors, the Board or as stipulated by the fundraising appeal.

The Endowment Fund comprises amounts to be maintained permanently as specified by the donors or the Board.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which include grants, bequests and other donations. Grants and bequests are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received. Unrestricted contributions are recognized as revenue in the General Fund when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are recognized as revenue in the Expendable Restricted Fund when initially recorded in the accounts. Externally restricted endowment contributions are recognized as revenue in the Endowment Fund when initially recorded in the accounts.

Investment income (loss) consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses. Investment income earned on the Endowment Fund or Expendable Restricted Fund resources that must be spent on donor-restricted activities is recognized as revenue of the Expendable Restricted Fund. Investment income subject to donor restrictions stipulating that it be added to the endowment is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on Endowment Fund, Expendable Restricted Fund and General Fund resources is recognized as revenue of the General Fund. Investment losses are allocated in a manner consistent with investment income.

The Foundation recognizes revenue for special events when earned.

Toronto General & Western Hospital Foundation

Notes to financial statements

[in thousands of dollars, unless otherwise indicated]

March 31, 2019

Cash and cash equivalents

Cash and cash equivalents consist of cash deposits and short-term investments with an original term to maturity of less than 90 days. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as investments.

Financial instruments

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Foundation designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of revenue, expenses and changes in fund balances in the period during which they are incurred.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

All transactions are recorded on a trade date basis.

Other financial instruments, including cash and cash equivalents, accounts receivable, short-term investments and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost.

Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. Amortization is provided on a declining balance basis over the estimated useful lives of the assets at the following annual rates:

Furniture and equipment	20%
Computer equipment	30%–50%

Grants

Grants are recognized when approved and the recipient has met all conditions.

Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the transaction date. The market values of investments and other monetary items denominated in foreign currencies are translated at the year-end rate. Translation gains and losses are recorded in the statement of revenue, expenses and changes in fund balances.

Contributed goods and services

Contributed goods transferred to UHN are recognized at their fair market value. Other donated goods and services are not recognized in these financial statements.

Toronto General & Western Hospital Foundation

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[in thousands of dollars, unless otherwise indicated]

March 31, 2019

Allocation of expenses

A portion of the salaries and benefits of employees engaged in fundraising activities is allocated to the Expendable Restricted Fund based on time spent on fundraising programs focused on raising restricted funds. In addition, general fundraising and support expenses equal to a percentage of special events revenue is allocated to the Expendable Restricted Fund when the revenue is recorded in this fund.

3. Investments

Investments are measured at fair value and consist of the following:

	2019 \$	2018 \$
Cash and term deposits	97,446	33,624
Fixed income		
Canada/provincial	165,300	174,395
Corporate	117,261	109,157
	282,561	283,552
Equities		
Canadian	72,979	70,136
U.S.	70,536	61,132
Pooled funds – global	72,761	70,089
	216,276	201,357
	596,283	518,533

The weighted average yield and average term to maturity for the fixed income securities are as follows:

	2019		2018	
	Weighted average yield %	Average term to maturity [years]	Weighted average yield %	Average term to maturity [years]
Cash and term deposits	2.44	0.57	1.73	0.72
Canada/provincial bonds	2.01	6.24	2.32	6.07
Corporate bonds	2.73	4.54	2.82	5.03

Investments are managed as two pools:

- [i] Investments related to the Endowment Fund are invested as follows: short-term investments – 2% [2018 – 2%]; equities – 62% [2018 – 61%]; and fixed income securities – 36% [2018 – 37%].
- [ii] Investments related to the Expendable Restricted Fund are invested primarily in fixed income securities, with the exception of \$61,303 [2018 – \$57,949], which was invested in securities with an investment mix consistent with the mix of investments held for the Endowment Fund.

Toronto General & Western Hospital Foundation

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[in thousands of dollars, unless otherwise indicated]

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4. Capital assets

Capital assets consist of the following:

	2019		2018	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Furniture and equipment	335	283	314	275
Computer equipment	511	461	482	448
	846	744	796	723
Less accumulated amortization	744		723	
Net book value	102		73	

5. Expendable Restricted Fund

The Expendable Restricted Fund balance represents the excess of amounts received with external restrictions over expenses for the following purposes, together with funds internally restricted by the Board:

	2019 \$	2018 \$
Externally restricted		
Research	244,000	196,670
Equipment, building and renovation	31,455	36,088
Education and other	68,081	63,048
	343,536	295,806
Internally restricted <i>[note 8[b]]</i>	26,760	16,860
	370,296	312,666

The internally restricted balance represents amounts set aside by the Board in a Stabilization Reserve available for operational needs.

Toronto General & Western Hospital Foundation

Notes to financial statements

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6. Endowment Fund

[a] Major categories of the Endowment Fund balance are as follows:

	2019	2018
	\$	\$
Funds externally restricted for endowment purposes		
Income from which must be used for a restricted purpose	229,013	213,776
Income from which is unrestricted	22,354	22,142
Externally restricted funds restricted for endowment purposes by the Board of Directors	14,012	13,878
Unrestricted funds restricted for endowment purposes by the Board of Directors	4,477	4,435
	269,856	254,231

[b] The Foundation has a policy designed to protect the real value of endowments by limiting the amount of investment income made available for spending and requiring the reinvestment of income not made available. The amount currently made available for spending is 3.5% and for administration is 1.5%.

In any particular year, should net investment income be insufficient to fund the amount to be made available for spending or the return on investments is a net investment loss, the amount that is to be made available for spending is funded by the accumulated reinvested income. However, for individual endowment funds without sufficient accumulated reinvestment income, endowment capital is used in the current year. This amount is expected to be recovered by future net investment income.

The preservation of capital [i.e., any excess investment income earned above the payout rate] is recorded as revenue of the Endowment Fund for donor-designated funds. For Board-designated unrestricted funds, the preservation of capital is recorded as income of the General Fund and transferred to the Endowment Fund in the statement of revenue, expenses and changes in fund balances. For Board-designated restricted funds, the preservation of capital is recorded as income in the Expendable Restricted Fund and transferred to the Endowment Fund in the statement of revenue, expenses and changes in fund balances.

[c] In 2019, investment income of \$14,402 [2018 – \$12,672] was earned on investments held for the Endowment Fund. An amount of \$2,441 [2018 – \$1,338] was allocated for the preservation of capital. Of this amount, \$2,265 [2018 – \$1,239] related to donor-designated funds was recorded as investment income in the Endowment Fund. Capital preservation of \$176 [2018 – \$99] related to Board-designated funds was recorded as income in the General and Expendable Restricted Funds then transferred to the Endowment Fund [note 8[a]].

In 2019, \$8,166 [2018 – \$7,655] made available for spending as calculated in accordance with the Foundation's Endowment Fund policy was recorded as investment income in the Expendable Restricted and General Funds. In addition, \$3,795 [2018 – \$3,679] related to donor-designated and Board-designated funds was recorded as investment income in the General Fund for administration in accordance with the Board policy.

Toronto General & Western Hospital Foundation

Notes to financial statements

[in thousands of dollars, unless otherwise indicated]

March 31, 2019

7. Investment income (loss)

Investment income (loss) earned on the Foundation's assets consists of the following:

	2019 \$	2018 \$
Interest and dividends	9,765	8,575
Realized gains (losses)	12,247	12,339
Net change in unrealized gains (losses) on investments	4,133	(5,434)
	26,145	15,480
Less investment management and custodial fees	1,374	1,292
	24,771	14,188

8. Interfund transfers

Transfers between funds consist of the following:

	General Fund		Expendable Restricted Fund		Endowment Fund	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
[a] Allocation of investment income in accordance with Board policy [note 6[c]]	(35)	(2)	(141)	(97)	176	99
[b] Stabilization Reserve transfers [note 5]	(9,900)	—	9,900	—	—	—
[c] Other Board/donor approved transfers	68	100	(340)	4,105	272	(4,205)
	(9,867)	98	9,419	4,008	448	(4,106)

Toronto General & Western Hospital Foundation

Notes to financial statements

[in thousands of dollars, unless otherwise indicated]

March 31, 2019

9. Related party transactions

[a] The Foundation, together with three other foundations affiliated with UHN, is responsible for fundraising activities carried out on behalf of UHN.

[b] During the year, the Foundation funded the following projects carried out at UHN:

	General Fund		Expendable Restricted Fund		Endowment Fund	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Equipment, building and renovation	—	—	11,124	8,731	—	—
Research, education and patient care	—	—	70,716	68,127	—	—
	—	—	81,840	76,858	—	—

[c] The Foundation reimbursed UHN for salaries and benefits of \$12,607 [2018 – \$11,530] recorded in fundraising and administrative expenses associated with UHN staff working at the Foundation. In addition, UHN charged the Foundation \$412 [2018 – \$375] for the use of office equipment and related technical support.

UHN provides the Foundation with space and other administrative support at no cost.

[d] The Foundation pays certain common expenses on behalf of other foundations affiliated with UHN and is reimbursed. The Foundation reimburses the other foundations affiliated with UHN for those common expenses incurred by them on the Foundation's behalf.

[e] Amounts due to/from UHN are interest free and due on demand.

[f] The Foundation received grants of \$1,189 USD [2018 – \$1,083 USD] from The American Friends of UHN, Inc., an affiliated United States tax-exempt charitable organization.

[g] During the year ended March 31, 2019, UHN agreed to transfer \$577 [2018 – \$594] to the Foundation, which is recorded as revenue in the Expendable Restricted Fund. The amounts due to/from UHN consist of the following:

	2019	2018
	\$	\$
Due from UHN	19,606	19,029
Due to UHN	(12,410)	(11,945)
Due from UHN, net	7,196	7,084

Toronto General & Western Hospital Foundation

Notes to financial statements

[in thousands of dollars, unless otherwise indicated]

March 31, 2019

10. Lottery

During the year, the Foundation operated a 50/50 Payday Raffle lottery under the Alcohol and Gaming Commission of Ontario license.

	2019	2018
	\$	\$
Lottery funds revenue	393	356
Expenses	233	191
Net proceeds	160	165

Lottery funds raised have been used to support research projects at UHN.

The Foundation has a standby letter of credit of \$270 [2018 – \$270] obtained in connection with the lottery.

11. Allocation of expenses

General fundraising and support expenses of \$849 [2018 – \$848] have been included in fundraising and administrative expenses recorded in the Expendable Restricted Fund.

12. Bequests

As at March 31, 2019, accounts receivable includes \$4,524 [2018 – nil] representing the outstanding payment with respect to 12 [2018 – nil] bequests.

13. Financial instruments

The Foundation is exposed to various financial risks through transactions in financial instruments.

Currency risk

The Foundation is exposed to currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

Credit risk

The Foundation is exposed to credit risk in connection with its short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Toronto General & Western Hospital Foundation

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[in thousands of dollars, unless otherwise indicated]

March 31, 2019

Interest rate risk

The Foundation is exposed to interest rate risk with respect to its investments in fixed income securities and a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates.

Other price risk

The Foundation is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in equity securities and pooled funds.