

Toronto General & Western Hospital Foundation

Financial statements
March 31, 2021



Independent auditor's report

To the Members of
Toronto General & Western Hospital Foundation

Report on the audit of 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, 2021 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, 2021, and its results of 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.

Emphasis of matter – subsequent event

We draw attention to note 1 to the financial statements, which describes the approved amalgamation of the Foundation with another charitable organization. Our opinion is not modified in respect of this matter.

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

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 15, 2021



Toronto General & Western Hospital Foundation

Balance sheet

[in thousands of dollars]

As at March 31

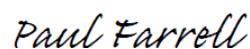
	2021	2020
	\$	\$
Assets		
Cash and cash equivalents	101,442	82,571
Accounts receivable	284	397
Prepaid expenses	268	370
Due from University Health Network, net [notes 9[e] and [g]]	37,550	—
Investments, fair value [note 3]	677,551	567,612
Capital assets, net [note 4]	157	212
	817,252	651,162
Liabilities and fund balances		
Current		
Due to University Health Network, net [notes 9[e] and [g]]	—	16,466
Accounts payable and accrued liabilities	2,314	2,592
Deferred revenue	2,138	1,717
Total current liabilities	4,452	20,775
Fund balances		
General Fund	1,104	418
Expendable Restricted Fund [note 5]	501,496	377,571
Endowment Fund [note 6]	310,200	252,398
Total fund balances	812,800	630,387
	817,252	651,162

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	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Donations <i>[notes 9[f], [g] and 10]</i>	3,367	3,566	178,942	111,958	8,427	9,001	190,736	124,525
Special events	—	—	4,042	11,506	—	—	4,042	11,506
Bequests	158	2,609	9,875	8,175	18	1,075	10,051	11,859
Total fundraising revenue	3,525	6,175	192,859	131,639	8,445	10,076	204,829	147,890
Investment income (loss) <i>[notes 6 and 7]</i>	30,056	6,031	19,304	(1,659)	46,286	(13,954)	95,646	(9,582)
	33,581	12,206	212,163	129,980	54,731	(3,878)	300,475	138,308
Expenses								
Fundraising and administrative <i>[notes 9[c] and 11]</i>	18,218	15,413	2,502	6,923	—	—	20,720	22,336
Excess (deficiency) of revenue over expenses before grants	15,363	(3,207)	209,661	123,057	54,731	(3,878)	279,755	115,972
Grants to University Health Network <i>[note 9[b]]</i>	—	—	(95,443)	(124,854)	—	—	(95,443)	(124,854)
Grants to other qualified donees	—	—	(1,899)	(1,375)	—	—	(1,899)	(1,375)
Total grants	—	—	(97,342)	(126,229)	—	—	(97,342)	(126,229)
Excess (deficiency) of revenue over expenses and grants for the year	15,363	(3,207)	112,319	(3,172)	54,731	(3,878)	182,413	(10,257)
Fund balances, beginning of year	418	492	377,571	370,296	252,398	269,856	630,387	640,644
Transfers between funds <i>[note 8]</i>	(14,677)	3,133	11,606	10,447	3,071	(13,580)	—	—
Fund balances, end of year	1,104	418	501,496	377,571	310,200	252,398	812,800	630,387

See accompanying notes

Toronto General & Western Hospital Foundation

Statement of cash flows

[in thousands of dollars]

Year ended March 31

	2021	2020
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses and grants for the year	182,413	(10,257)
Add item not involving cash		
Amortization of capital assets	55	38
Changes in non-cash working capital balances related to operations		
Accounts receivable	113	4,465
Prepaid expenses	102	(82)
Due from/to University Health Network	(54,016)	23,662
Accounts payable and accrued liabilities	(278)	623
Deferred revenue	421	928
Reinvested investment loss (income)	(95,646)	9,582
Cash provided by operating activities	33,164	28,959
Investing activities		
Transfer to externally managed investments	(50,833)	(1,241)
Transfer from externally managed investments	36,540	20,330
Additions to capital assets	—	(148)
Cash provided by (used in) investing activities	(14,293)	18,941
Net increase in cash during the year	18,871	47,900
Cash and cash equivalents, beginning of year	82,571	34,671
Cash and cash equivalents, end of year	101,442	82,571

See accompanying notes

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Notes to financial statements

[in thousands of dollars, unless otherwise indicated]

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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.

An Amalgamation Agreement [the “Agreement”] was approved between the Foundation and the Toronto Rehabilitation Institute Foundation to amalgamate to form one corporation. Upon the terms of the Agreement, the two entities will continue as a single corporation under the authority conferred by the provisions of the *Corporations Act* (Ontario) under a new name, the UHN Foundation. The Letters Patent of Amalgamation were approved by the Minister of Government and Consumer Services of Ontario with an effective date of the amalgamation as April 1, 2021. Effective April 1, 2021, the assets, liabilities, rights and obligations of the Foundation and the Toronto Rehabilitation Institute Foundation will be transferred into the new entity.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, “Accounting Standards for Not-for-Profit Organizations,” 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

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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.

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, due to/from UHN 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%

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Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Foundation's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of revenue, expenses and changes in fund balances. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

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.

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 are 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:

	2021	2020
	\$	\$
Cash and term deposits	40,719	66,292
Fixed income		
Canada/provincial	218,082	189,376
Corporate	140,247	100,404
	358,329	289,780
Equities		
Canadian	99,928	70,726
U.S.	90,298	70,471
Pooled funds – global	88,277	70,343
	278,503	211,540
	677,551	567,612

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

	2021		2020	
	Weighted average yield %	Average term to maturity [years]	Weighted average yield %	Average term to maturity [years]
Cash and term deposits	0.36	0.23	2.12	0.85
Canada/provincial bonds	1.47	6.69	1.25	6.42
Corporate bonds	1.74	4.71	3.14	5.31

Investments are managed as two pools:

- [i] Investments related to the Endowment Fund are invested as follows: short-term investments – 1% [2020 – 3%]; equities – 64% [2020 – 62%]; and fixed income securities – 35% [2020 – 35%].
- [ii] Investments related to the Expendable Restricted Fund are invested primarily in fixed income securities, with the exception of \$103,432 [2020 – \$75,057], which was invested in securities with an investment mix consistent with the mix of investments held for the Endowment Fund.

4. Capital assets

Capital assets consist of the following:

	2021		2020	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Furniture and equipment	458	329	439	301
Computer equipment	533	505	555	481
	991	834	994	782
Less accumulated amortization	834		782	
Net book value	157		212	

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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:

	2021 \$	2020 \$
Externally restricted		
Research	307,862	264,909
Equipment, building and renovation	32,397	35,974
Education and other	123,277	48,328
	463,536	349,211
Internally restricted <i>[note 8[b]]</i>	37,960	28,360
	501,496	377,571

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

6. Endowment Fund

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

	2021 \$	2020 \$
Funds externally restricted for endowment purposes		
Income from which must be used for a restricted purpose	264,524	215,737
Income from which is unrestricted	24,013	20,065
Externally restricted funds restricted for endowment purposes by the Board of Directors	16,853	12,577
Unrestricted funds restricted for endowment purposes by the Board of Directors	4,810	4,019
	310,200	252,398

[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. In 2021 and 2020, the amount 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.

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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 2021, investment income of \$62,778 was earned on investments held for the Endowment Fund. An amount of \$49,853 was allocated for the preservation of capital. Of this amount, \$46,286 related to donor designated funds was recorded as investment income in the Endowment Fund. Capital preservation of \$3,567 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 2021, \$9,120 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, \$3,805 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.

- [d] In 2020, there was a loss of \$13,954 in investments held for externally restricted endowments. Losses of \$1,017, related to Board-designated funds, were recorded in the General and Expendable Restricted Funds and offset by transfers from the Endowment Fund [note 8[d]].

The amount of \$8,725 made available for spending as calculated in accordance with the Foundation's Endowment Fund policy was transferred to the Expendable Restricted and General Funds from the Endowment Fund. The amount of \$4,058 made available for administration in accordance with the Board policy was transferred from the Endowment Fund to the General Fund [note 8[e]].

7. Investment income (loss)

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

	2021	2020
	\$	\$
Interest and dividends	16,126	16,173
Realized gains	9,380	10,307
Net change in unrealized gains (losses) on investments	71,673	(34,629)
	97,179	(8,149)
Less investment management and custodial fees	1,533	1,433
	95,646	(9,582)

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[in thousands of dollars, unless otherwise indicated]

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8. Interfund transfers

Transfers between funds consist of the following:

	2021		
	General Fund	Expendable Restricted Fund	Endowment Fund
	\$	\$	\$
[a] Allocation of investment income in accordance with Board policy [note 6[c]]	(828)	(2,739)	3,567
[b] Stabilization Reserve transfers [note 5]	(9,600)	9,600	—
[c] Other Board/donor-approved transfers	(4,249)	4,745	(496)
	(14,677)	11,606	3,071
	2020		
	General Fund	Expendable Restricted Fund	Endowment Fund
	\$	\$	\$
[d] Allocation of investment income in accordance with Board policy [note 6[d]]	246	771	(1,017)
[e] Amount available for spending and administration in accordance with Board policy [note 6[d]]	4,685	8,098	(12,783)
[f] Stabilization Reserve transfers [note 5]	(1,600)	1,600	—
[g] Other Board/donor-approved transfers	(198)	(22)	220
	3,133	10,447	(13,580)

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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 from the Expendable Restricted Fund:

	2021	2020
	\$	\$
Equipment, building and renovation	25,543	16,681
Research, education and patient care	69,900	108,173
	95,443	124,854

During the year ended March 31, 2021, no grants [2020 – \$24,602] were made in support of Clinical Transformational Initiatives.

[c] The Foundation reimbursed UHN for salaries and benefits of \$14,991 [2020 – \$13,602] recorded in fundraising and administrative expenses associated with UHN staff working at the Foundation. In addition, UHN charged the Foundation \$504 [2020 – \$423] 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 \$792 USD [2020 – \$636 USD] from The American Friends of UHN, Inc., an affiliated United States tax-exempt charitable organization.

[g] During the year ended March 31, 2021, UHN agreed to transfer \$59,359 [2020 – \$1,211] to the Foundation, which is recorded as revenue in the Expendable Restricted Fund. Included in this transfer is \$30,000 [2020 – nil], for the establishment of a debenture retirement fund, to be held with the Foundation to be invested for the retirement of the Hospital's debenture upon its maturity. The amounts due to/from UHN consist of the following:

	2021	2020
	\$	\$
Due from UHN	53,437	1,211
Due to UHN	(15,887)	(17,677)
Due from (to) UHN, net	37,550	(16,466)

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[in thousands of dollars, unless otherwise indicated]

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10. Lottery

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

	2021	2020
	\$	\$
Lottery funds revenue	595	566
Expenses	305	270
Net proceeds	290	296

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

The Foundation has been categorized as operating an Electronic 50/50 raffle, and as such does not require a standby letter of credit in connection with the lottery.

11. Allocation of expenses

General fundraising and support expenses of \$12 [2020 – \$927] have been included in fundraising and administrative expenses recorded in the Expendable Restricted Fund.

12. Financial instruments and risk management

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. The Foundation mitigates this risk by monitoring the performance of the individual investments and by ensuring compliance by the investment manager with the set investment policies of the Foundation.

Credit risk

The Foundation is exposed to credit risk in connection with its 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. The Foundation mitigates this risk by monitoring the performance of the individual investments and by ensuring compliance by the investment manager with the set investment policies of the Foundation.

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. The Foundation manages this risk by monitoring the performance of the individual investments and by ensuring compliance by the investment manager with the set investment policies of the Foundation.

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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. The Foundation manages this risk through its investment policies and by monitoring the asset mix of the portfolio.

13. COVID-19

In March 2020, the outbreak of the coronavirus disease ["COVID-19"] was declared a pandemic by the World Health Organization and has resulted in governments worldwide enacting emergency measures to combat the spread of the virus.

As a result of the measures in place, the Foundation had to shift its fundraising efforts from live special events to more focus on virtual campaigns. The shift in this is seen through the financial results in the decline in special events from the year ended March 31, 2020. As at March 31, 2020, the impact of the pandemic had created a lot of volatility in the financial markets, but as of March 31, 2021, the markets have stabilized, enabling the Foundation to have a better return in its investment portfolio. It is uncertain as to how long the pandemic will last or how far-reaching the impact will be on future fundraising efforts, but management of the Foundation has maintained sufficient resources to meet its commitments in fiscal 2022.