

Financial statements of

**North York General
Hospital Foundation**

March 31, 2012



June 18, 2012

Independent Auditor's Report

To the Members of North York General Hospital Foundation

We have audited the accompanying financial statements of North York General Hospital Foundation, which comprise the statement of financial position as at March 31, 2012 and the statements of operations and changes in fund balances and cash flows for the year ended March 31, 2012, and the related notes, which comprise 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 is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North York General Hospital Foundation as at March 31, 2012, and the results of its operations and its cash flows for the year ended March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Other matter

The financial statements of North York General Hospital Foundation for the year ended March 31, 2011 were audited by another auditor who expressed an unqualified opinion on those financial statements on June 8, 2011.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

North York General Hospital Foundation

Statement of Financial Position as at March 31, 2012

	2012	2011
	\$	\$
Assets		
Current assets		
Cash	1,318,738	1,155,932
Accounts receivable and sundry assets	315,959	520,356
	<u>1,634,697</u>	<u>1,676,288</u>
Investments (Note 6(a))	44,885,207	41,908,055
Interest in charitable trust (Note 3)	689,000	689,000
Capital assets (Note 4)	28,800	44,010
	<u>47,237,704</u>	<u>44,317,353</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	339,636	449,088
Due to North York General Hospital	500,236	171,046
Deferred revenue	129,511	145,537
	<u>969,383</u>	<u>765,671</u>
Fund balances		
General Fund	(77,307)	254,713
Restricted Fund	15,523,141	13,413,703
Endowment Fund	30,822,487	29,883,266
	<u>46,268,321</u>	<u>43,551,682</u>
	<u>47,237,704</u>	<u>44,317,353</u>

Commitment (Note 11)

Approved by the Board



Governor



Governor

See accompanying notes to financial statements.

North York General Hospital Foundation

Statement of Operations and Changes in Fund Balances
For the year ended March 31, 2012

	General Fund		Restricted Fund		Endowment Fund		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue	\$	\$	\$	\$	\$	\$	\$	\$
Contributions	1,016,418	1,796,294	5,340,809	3,444,498	1,094,959	1,399,457	7,452,186	6,640,249
Special events	483	-	1,269,583	2,216,162	235,200	202,388	1,505,266	2,418,550
Gain on sale of revenue-producing property	-	-	-	-	339,261	632,343	339,261	632,343
	1,016,901	1,796,294	6,610,392	5,660,660	1,669,420	2,234,188	9,296,713	9,691,142
Investment								
Investment income (Note 6(b))	529,204	1,564,834	643,237	934,366	-	-	1,172,441	2,499,200
Investment management fees	(111,658)	(108,114)	-	-	-	-	(111,658)	(108,114)
	417,546	1,456,720	643,237	934,366	-	-	1,060,783	2,391,086
Expenses								
Administrative	621,317	1,027,272	793,247	679,279	-	-	1,414,564	1,706,551
Fundraising	2,015,022	2,016,147	-	-	-	-	2,015,022	2,016,147
Special events	-	-	646,205	1,580,947	-	-	646,205	1,580,947
	2,636,339	3,043,419	1,439,452	2,260,226	-	-	4,075,791	5,303,645
Excess (deficiency) of revenue over expenses before the undernoted	(1,201,892)	209,595	5,814,177	4,334,800	1,669,420	2,234,188	6,281,705	6,778,583
Parking operations (Note 7(b))								
Revenue	5,200,819	-	-	-	-	-	5,200,819	-
Expenses	5,135,830	-	-	-	-	-	5,135,830	-
	64,989	-	-	-	-	-	64,989	-
Excess (deficiency) of revenue over expenses before grants	(1,136,903)	209,595	5,814,177	4,334,800	1,669,420	2,234,188	6,346,694	6,778,583
Grants to North York General Hospital								
Cash	-	-	3,630,055	4,101,913	-	-	3,630,055	4,101,913
Equipment and other property	-	-	-	9,645	-	-	-	9,645
	-	-	3,630,055	4,111,558	-	-	3,630,055	4,111,558
Excess (deficiency) of revenue over expenses and grants	(1,136,903)	209,595	2,184,122	223,242	1,669,420	2,234,188	2,716,639	2,667,025
Fund balances - Beginning of year	254,713	298,714	13,413,703	13,189,161	29,883,266	27,396,782	43,551,682	40,884,657
Interfund transfers (Note 8)	804,883	(253,596)	(74,684)	1,300	(730,199)	252,296	-	-
Fund balances - End of year	(77,307)	254,713	15,523,141	13,413,703	30,822,487	29,883,266	46,268,321	43,551,682

See accompanying notes to financial statements.

North York General Hospital Foundation

Statement of Cash Flows year ended March 31, 2012

	2012	2011
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses and grants	2,716,639	2,667,025
Items not affecting cash		
Realized losses (gains) on sale of investments - net	149,615	(345,379)
Net change in unrealized gains on investments	(280,563)	(940,780)
Amortization of capital assets	16,341	16,735
Change in non-cash operating working capital	406,447	(92,822)
	<u>3,008,479</u>	<u>1,304,779</u>
Investing activities		
Purchase of capital assets	(1,131)	(29,036)
Interest in charitable trust	-	(689,000)
Net change in investments	(2,846,204)	(137,620)
Decrease in life insurance policies	1,662	-
	<u>(2,845,673)</u>	<u>(855,656)</u>
Increase in cash	162,806	449,123
Cash, beginning of year	<u>1,155,932</u>	<u>706,809</u>
Cash, end of year	<u>1,318,738</u>	<u>1,155,932</u>

See accompanying notes to financial statements.

North York General Hospital Foundation

Notes to the Financial Statements

March 31, 2012

1. Purpose and organization

Basis of operations

North York General Hospital Foundation (the "Foundation") is incorporated without share capital under the laws of the Province of Ontario. The Foundation is a public foundation registered under the Income Tax Act and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. The Foundation must meet certain requirements under the Act to maintain this status. In the opinion of management these requirements have been met.

The Foundation is dedicated to providing financial resources for North York General Hospital (the "Hospital") on an ongoing basis. This financial support is provided through the systematic process of identifying and acquiring financial resources from the community. The Foundation is committed to raising funds through annual appeals, endowment funds, planned giving, special events and capital campaigns.

2. Summary of Significant accounting policies

Management has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations.

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 the 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. Items included in these financial statements that require estimates are: accounts receivable with respect to collection; investments and interest in charitable trust with respect to valuation; capital assets with respect to useful life; and accrued liabilities.

Fund accounting

The financial statements include the following funds:

- The General Fund comprises mainly of amounts available for immediate use for the general purpose of the Foundation as determined by the Board of Governors.
- The Restricted Fund comprises amounts that are to be used for specific purposes as specified by the donors, the Board of Governors, or as stipulated by the fundraising appeal.
- The Endowment Fund comprises amounts to be maintained permanently as specified by the donors or the Board of Governors.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Unrestricted contributions are recognized as revenue of the General Fund in the year received. Restricted contributions for specific purposes 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. Pledges are not recorded in these financial statements as they are not legally enforceable claims.

Revenue from parking operations is recognized on an accrual basis.

The Foundation recognizes revenue for special events in the year in which the event occurs.

North York General Hospital Foundation

Notes to the Financial Statements

March 31, 2012

Investment income

Investment income is accrued as it is earned. Investment income includes dividend and interest income, and realized and unrealized gains and losses, net of investment management fees. Unrestricted investment income earned on the Endowment Fund, Restricted Fund and General Fund is recognized as revenue of the General Fund. Realized and unrealized gains and losses relating to the Endowment Fund are recognized through an interfund transfer (note 8). All other investment income earned on the Endowment Fund or Restricted Fund that must be spent on donor restricted activities is recognized as revenue of the Restricted Fund. Transaction costs are expensed as incurred.

Contributed goods and services

Donors contribute gifts in kind for use in special fundraising events which are recognized at their fair value when such value can be reasonably estimated. Donated capital assets are recorded at fair value when fair value can be reasonably estimated. Donated materials and services are recorded at fair value when fair value can be reasonably estimated and when the materials and services are normally purchased by the Foundation and would be paid for if not donated.

Contributed securities

Gifts of publicly traded securities are recognized at 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.

Volunteer fundraising activities

The work of the Foundation is dependent on the volunteer fundraising activities of many members. Because these services are not normally purchased by the Foundation and because of the difficulty in determining their fair value, donated services are not recognized in these financial statements.

Financial instruments

The Foundation initially recognizes financial instruments at fair value and subsequently measures them at each reporting date as follows:

<u>Asset/Liability</u>	<u>Measurement</u>
Cash	Fair value
Investments	Fair value
Interest in charitable trust	Amortized cost
Accounts receivable and sundry assets	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to North York General Hospital	Amortized cost

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset shall be written down and the resulting impairment loss shall be recognized in the statement of operations for the year.

North York General Hospital Foundation

Notes to the Financial Statements

March 31, 2012

Capital assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates:

Furniture and equipment	-	straight-line over 5 years
Computer equipment	-	straight-line over 5 years

The useful lives and amortization rates of capital assets are reviewed periodically and any adjustments are recognized in the statement of operations in the period in which the changes are identified.

3. Interest in charitable trust

During fiscal 2011, the Foundation received a contribution of a beneficial interest in a stream of future income from an irrevocable charitable trust. The contribution was recognized on receipt at management's estimate of fair value based on discounted cash flows as estimated in an independent valuation report prepared within the fiscal year. This contribution is carried on the statement of financial position at amortized cost.

4. Capital assets

	2012		2011	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Furniture and equipment	110,678	108,918	1,760	5,464
Computer equipment	146,352	119,312	27,040	38,546
	<u>257,030</u>	<u>228,230</u>	<u>28,800</u>	<u>44,010</u>

5. Revenue-producing properties

During 2001, 38 parcels of land in Toronto (the "Sheldrake Lands") were provided to the Foundation in trust to establish an endowment for the benefit of the Hospital. The Sheldrake Lands had previously been held for the benefit of the Hospital and the terms of the established endowment reflect the same purposes for which the Sheldrake Lands were originally held. The endowment provides that the net proceeds of the sale of any Sheldrake Lands be retained as capital of the endowment. The endowment has been recorded on the books of the Foundation for the nominal sum of \$1 and net proceeds of sale are being recorded as and when realized. In 2012, one parcel was sold (2011 - two parcels). As at March 31, 2012, 10 parcels remain to be sold (2011 - 11).

North York General Hospital Foundation

Notes to the Financial Statements

March 31, 2012

6. Investments and investment income

The Foundation manages a significant portion of its investments in pooled funds managed by external investment managers.

(a) Investments consist of the following:

	2012	2011
	\$	\$
Money market	7,916,755	3,359,022
Bonds	19,002,336	21,173,470
Canadian equities	6,784,911	5,999,653
International equities	11,181,205	11,375,910
	<u>44,885,207</u>	<u>41,908,055</u>

(b) Investment income is made up of the following:

	2012	2011
	\$	\$
Interest and dividends	1,041,493	1,213,041
Realized gains (losses) on sale of investments - net	(149,615)	345,379
Net change in unrealized gains on investments	280,563	940,780
	<u>1,172,441</u>	<u>2,499,200</u>

7. Related party transactions

- (a) The Hospital provides the Foundation's premises on a rent free basis, the value of which has not been recorded in the financial statements. The Hospital also provides certain services to the Foundation including payroll processing and information technology systems support at no charge. In turn, the Foundation, in its ongoing fundraising activities, provides the Hospital with public relations services, the value of which has not been recorded in the financial statements. An amount of \$nil (2011 - \$171,046) relating to these services are included as a liability on the statement of financial position.
- (b) On June 1, 2011, the Foundation entered into a ten-year lease agreement and a management services agreement with the Hospital to operate the Hospital's parking operations. Payments to the Hospital amounted to \$5,135,830 (2011 - \$nil) and the amount payable as at March 31, 2012 was \$500,236 (2011 - \$nil).

North York General Hospital Foundation

Notes to the Financial Statements

March 31, 2012

8. Interfund transfers

	2012		
	General Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Transfer of net investment losses on endowed funds from the General Fund to the Endowment Fund	53,092	-	(53,092)
Transfer of administrative, management and other expenses related to endowments (i)	826,205	-	(826,205)
Other transfers to reflect donor directions	(74,414)	(74,684)	149,098
	<u>804,883</u>	<u>(74,684)</u>	<u>(730,199)</u>

	2011		
	General Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Transfer of net investment gains on endowed funds from the General Fund to the Endowment Fund	(1,095,826)	-	1,095,826
Transfer of administrative, management and other expenses related to endowments (i)	843,530	-	(843,530)
Other transfers to reflect donor directions	(1,300)	1,300	-
	<u>(253,596)</u>	<u>1,300</u>	<u>252,296</u>

(i) The interfund transfer represents an allocation of 12% of eligible endowed donations received in the year and 2% on the Endowment Fund balance transferred from the Endowment Fund to the General Fund.

Interfund transfers have been approved by the Board of Governors.

North York General Hospital Foundation

Notes to the Financial Statements

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9. Guarantees and contingent liabilities

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.

The Foundation, along with other charities, has been notified of a claim relating to a bequest received in prior years under a disputed will. At the financial statement date no decision has been rendered with respect to this dispute and the outcome is not determinable. Therefore no amounts have been recorded as a liability in these financial statements with respect to this matter.

10. Financial risk management

The Foundation is subject to market, currency and interest rate risks with respect to its investments.

Market risk

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Foundation to a risk of loss.

Currency risk

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation's investments include non-Canadian equities, the value of which fluctuates in part due to changes in foreign exchange rates. The International Equity pool fund hold assets and liabilities denominated in currencies other than Canadian dollars and this fund is therefore directly exposed to currency risk as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Foundation. The short-term interest bearing investments held by the Foundation have a limited exposure to interest rate risk due to their short-term maturity.

Credit risk

Credit risk is the risk one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Foundation's credit risk is primarily attributable to its accounts receivable. The balance of accounts receivable in the statement of financial position represents the Foundation's maximum exposure at the statement of financial position date.

To manage these risks the Foundation has established investment policies, which include a target mix of investment types and concentration limits designed to achieve the optimum return within reasonable risk tolerances.

11. Commitment

As at March 31, 2012, the Foundation has entered into a contract with a third party with respect to a fundraising event during the fiscal year ending March 2013. Total committed costs for the event are approximately \$21,300 (2011 - \$681,534).

North York General Hospital Foundation

Notes to the Financial Statements

March 31, 2012

12. Pension

All employees of the Foundation are members of the Healthcare of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. Employer contributions made to the Plan during the year by the Foundation amount to \$163,252 (2011 - \$144,884).

13. Government remittances

No amounts were outstanding with respect to government remittances at March 31, 2012.

14. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.