

Financial statements of

**North York General
Hospital Foundation**

March 31, 2011

North York General Hospital Foundation

March 31, 2011

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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 statements of financial position as at March 31, 2011, March 31, 2010 and April 1, 2009 and the statements of operations, changes in fund balances, and cash flows for the years ended March 31, 2011 and March 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

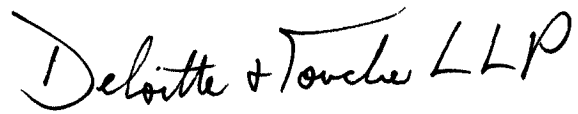
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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.

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, 2011, and March 31, 2010 and April 1, 2009, and the results of its operations and its cash flows for the years ended March 31, 2011 and March 31, 2010, in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Licensed Public Accountants
June 8, 2011

North York General Hospital Foundation

Statements of financial position as at March 31, 2011

	March 31, 2011	March 31, 2010 (Note 2)	April 1, 2009 (Note 2)
	\$	\$	\$
Assets			
Cash	1,155,932	706,809	1,643,043
Accounts receivable	484,883	306,826	328,022
Prepaid expenses and sundry assets	225	157,329	124,418
Investments (Note 8 (a))	41,908,055	40,484,276	33,966,516
Interest in charitable trust (Note 4)	689,000	-	-
Life insurance policies	35,247	35,247	424,704
Capital assets (Note 5)	44,010	31,709	44,584
Revenue producing properties (Note 6)	1	1	1
	44,317,353	41,722,197	36,531,288
Liabilities			
Accounts payable and accrued liabilities	449,088	372,531	335,373
Due to North York General Hospital	171,046	193,636	183,469
Deferred revenue	145,537	271,373	116,066
	765,671	837,540	634,908
Fund balances			
Endowment funds	29,883,266	27,396,782	23,244,081
Restricted funds	13,413,703	13,189,161	11,724,171
General fund			
Invested in capital assets	44,010	31,709	44,584
Unrestricted	210,703	267,005	883,544
	254,713	298,714	928,128
	43,551,682	40,884,657	35,896,380
	44,317,353	41,722,197	36,531,288

Approved by the Executive Committee

_____ Governor

_____ Governor

North York General Hospital Foundation

Statements of operations
years ended March 31, 2011

	2011				2010			
	Endowment funds	Restricted funds	General fund	Total funds	Endowment funds (Note 2)	Restricted funds (Note 2)	General fund (Note 2)	Total funds (Note 2)
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Public contributions and bequests	698,494	798,710	1,107,294	2,604,498	1,358,457	891,326	1,158,908	3,408,691
Volunteer services	-	270,000	-	270,000	-	248,520	-	248,520
IODE	-	20,000	-	20,000	-	-	-	-
Campaigns	700,963	2,327,788	689,000	3,717,751	478,815	3,247,292	-	3,726,107
Special fundraising events (Note 7)	202,388	635,215	-	837,603	208,604	466,358	-	674,962
Investment income (Note 8 (b))	-	934,366	1,564,834	2,499,200	-	803,757	3,353,493	4,157,250
Net income on sale of revenue-producing property	632,343	-	-	632,343	296,742	-	-	296,742
Rental income	-	28,000	-	28,000	-	29,800	-	29,800
	2,234,188	5,014,079	3,361,128	10,609,395	2,342,618	5,687,053	4,512,401	12,542,072
Expenses								
Grants to North York General Hospital								
Cash	-	4,101,913	-	4,101,913	-	3,532,518	-	3,532,518
Equipment and other property	-	9,645	-	9,645	-	10,321	116	10,437
Administrative	-	679,279	1,027,272	1,706,551	-	696,224	1,233,053	1,929,277
Investment management fees	-	-	108,114	108,114	-	-	101,038	101,038
Fundraising	-	-	2,016,147	2,016,147	-	-	1,980,525	1,980,525
	-	4,790,837	3,151,533	7,942,370	-	4,239,063	3,314,732	7,553,795
Excess of revenue over expenses	2,234,188	223,242	209,595	2,667,025	2,342,618	1,447,990	1,197,669	4,988,277

North York General Hospital Foundation

Statements of changes in fund balances
years ended March 31, 2011

	2011					2010				
	General fund					General fund				
	Endowment funds	Restricted funds	Invested in capital assets	Unrestricted	Total	Endowment funds	Restricted funds	Invested in capital assets	Unrestricted	Total
	\$	\$	\$	\$		\$	\$	\$	\$	
Fund balances, beginning of year	27,396,782	13,189,161	31,709	267,005	40,884,657	23,244,081	11,724,171	44,584	883,544	35,896,380
Excess (deficiency) of										
revenue over expenses	2,234,188	223,242	(16,735)	226,330	2,667,025	2,342,618	1,447,990	(15,919)	1,213,588	4,988,277
Interfund transfers (Note 10)	252,296	1,300	-	(253,596)	-	1,810,083	17,000	-	(1,827,083)	-
Investment in capital assets	-	-	29,036	(29,036)	-	-	-	3,044	(3,044)	-
Fund balances, end of year	29,883,266	13,413,703	44,010	210,703	43,551,682	27,396,782	13,189,161	31,709	267,005	40,884,657

North York General Hospital Foundation

Statements of cash flows years ended March 31, 2011

	2011	2010
	\$	(Note 2) \$
Operating activities		
Excess of revenue over expenses	2,667,025	4,988,277
Non-operating items		
Contributions for endowment	(2,234,188)	(2,342,618)
Realized and unrealized gain included in investment income	(1,286,159)	(2,985,816)
Items not affecting cash		
Amortization of capital assets	16,735	15,919
Change in non-cash operating working capital	(92,822)	190,917
Decrease in life insurance policies	-	389,457
	(929,409)	256,136
Financing activity		
Contributions for endowment	2,234,188	2,342,618
	2,234,188	2,342,618
Investing activities		
Purchase of capital assets	(29,036)	(3,044)
Interest in charitable trust	(689,000)	-
Net change in investments	(137,620)	(3,531,944)
	(855,656)	(3,534,988)
Increase (decrease) in cash	449,123	(936,234)
Cash, beginning of year	706,809	1,643,043
Cash, end of year	1,155,932	706,809

North York General Hospital Foundation

Notes to the financial statements

March 31, 2011

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. 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. Accounting changes

Current changes

Basis of presentation

Change in financial reporting framework and impact of the transition.

The Foundation has elected to adopt the standards in Part III of the CICA Accounting Handbook for not-for-profit organizations in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). These financial statements are the first financial statements for which the Foundation has adopted these standards.

The financial statements for the year ended March 31, 2011 were prepared in accordance with the accounting standards and provisions set out in First-Time Adoption, Section 1501 of the CICA Accounting Handbook Part III, for the first-time adopters of this financial reporting framework.

This section requires the presentation of corresponding information as at the date of transition, April 1, 2009, as at the preceding year end, March 31, 2010 and for the year ended March 31, 2010. The comparative information has been prepared and presented using the ASNPO framework retrospectively applied.

The adoption of this new financial reporting framework has no impact on the previously reported financial position as at April 1, 2009 and March 31, 2010 or on previously reported operations and changes in fund balances for the year ended March 31, 2010. Consequently a reconciliation of previously reported items to those reported using ASNPO has not been prepared.

The Foundation has elected to recognize cash and investments at fair value at the date of transition to the new Canadian accounting standards for not-for-profit organizations. This election has no impact on the amounts previously reported for these items.

3. 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 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: investments and interest in charitable trust with respect to valuation; capital assets with respect to useful life; and accrued liabilities.

North York General Hospital Foundation

Notes to the financial statements

March 31, 2011

3. Significant accounting policies (continued)

Fund accounting

The financial statements include the following funds:

- The Unrestricted fund comprises 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. Restricted contributions are recognized as revenue of the respective fund. Contributions are recorded when they are 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.

Unrestricted contributions are recognized as revenue of the Unrestricted fund in the year received. Donor-restricted contributions are recognized as revenue of the Restricted fund unless the capital is to be maintained permanently, in which case the contributions are recognized as revenue of the Endowment fund.

Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

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. Realized and unrealized gains and losses subject to external restrictions stipulating that they be added to the principal amount of the endowment are recognized as revenue of the Endowment fund. 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. Unrestricted investment income earned on the Endowment fund, Restricted fund and Unrestricted fund is recognized as revenue of the Unrestricted 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 property and equipment 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.

North York General Hospital Foundation

Notes to the financial statements

March 31, 2011

3. Significant accounting policies (continued)

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	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 period.

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 that 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 that 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 balance sheet represents the Foundation's maximum exposure at the balance sheet date.

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

North York General Hospital Foundation

Notes to the financial statements

March 31, 2011

3. Significant accounting policies (continued)

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 and hardware - 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.

4. Interest in charitable trust

During 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 included in campaign revenues on the statement of operations and is carried on the statement of financial position at amortized cost. Management has assessed this item at the reporting date and has determined that no adjustment for impairment is required.

5. Capital assets

	March 31, 2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	110,678	105,214	5,464
Computer and hardware	145,221	106,675	38,546
	255,899	211,889	44,010

	March 31, 2010 (Note 2)		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	110,678	101,100	9,578
Computer and hardware	116,185	94,054	22,131
	226,863	195,154	31,709

North York General Hospital Foundation

Notes to the financial statements

March 31, 2011

5. Capital assets (continued)

			April 1, 2009 (Note 2)
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	110,678	96,660	14,018
Computer and hardware	113,141	82,575	30,566
	223,819	179,235	44,584

6. Revenue-producing properties

During 2001, 38 parcels of land in Toronto (the "Sheldrake Lands") were recorded in the name of the Foundation 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 2011, two parcels were sold (2010 - one parcel). As at March 31, 2011, 11 parcels remain to be sold (2010 - 13).

7. Special fundraising events

The Board of Governors has approved the designation of net proceeds from fundraising events to the following funds:

	2011		2010 (Note 2)	
	Endowment funds	Restricted funds	Endowment funds	Restricted funds
	\$	\$	\$	\$
Revenue	288,848	2,216,162	301,465	1,384,920
Expenses	86,460	1,580,947	92,861	918,562
	202,388	635,215	208,604	466,358

North York General Hospital Foundation

Notes to the financial statements

March 31, 2011

8. 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:

	March 31, 2011	March 31, 2010 (Note 2)	April 1, 2009 (Note 2)
	Fair value	Fair value	Fair value
	\$	\$	\$
Money market	3,359,022	4,214,023	3,664,023
Bonds	21,173,470	21,397,864	18,225,461
Canadian equities	5,999,653	5,132,202	3,721,617
International equities	11,375,910	9,740,187	8,355,415
	41,908,055	40,484,276	33,966,516

(b) Investment income is comprised of the following:

	2011	2010
	\$	\$
Interest and dividends	1,213,041	1,171,434
Realized net gains	345,379	39,930
Unrealized net gains	940,780	2,945,886
	2,499,200	4,157,250

9. Related party transactions

The Hospital provides the Foundation's premises on a rent-free basis, the value of which has not been recorded in the financial statements. 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.

North York General Hospital Foundation

Notes to the financial statements

March 31, 2011

10. Interfund transfers

The Board of Governors has approved the following transfers among the funds:

	2011	2010
	\$	\$
Endowment funds		
Transfer of realized and unrealized gains on investments held for the Endowment funds from the General fund to the Endowment funds	1,184,697	3,038,507
Transfer of administration and management costs related to the Endowment funds from the General fund to the Endowment funds	(932,401)	(1,248,924)
Transfers from the General fund to the Endowment fund to reflect donor directions	-	20,500
	<u>252,296</u>	<u>1,810,083</u>
Restricted funds		
Transfer from the General fund to the Restricted fund to reflect donor directions	1,300	17,000

11. 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 under a disputed will. At the statement date no decision has been rendered with respect to this dispute and the outcome is not determinable. Therefore no amounts have been recorded in these financial statements with respect to this matter.

12. Capital management

Unrestricted fund

The Unrestricted Fund accounts for the Foundation's operations and administrative activities. In managing this capital, the Foundation focuses on resources available for operations.

The Foundation's objective is to have sufficient resources to continue operations in accordance with its mission and to provide it with the flexibility to take advantage of opportunities. The need for sufficient resources is considered in the preparation of an annual budget, the monitoring of cash flows, the comparison of actual operating results to budget and ensuring compliance with the approved investment policy.

Restricted fund

The Restricted Fund is comprised of amounts that are to be used for specific purposes as specified by the donors, the Board of Governors, or as stipulated in the fundraising appeal. The Restricted fund capital is managed under contract by professional investment managers in accordance with the Foundation's Investment Policies with the objectives of preserving capital while providing for the cash flow needs of the Foundation in order to meet its granting requirements.

North York General Hospital Foundation

Notes to the financial statements

March 31, 2011

12. Capital management (continued)

Endowment fund

The Endowment fund is comprised of amounts to be maintained permanently as specified by the donors or the Board of Governors. The income earned on these amounts is to be used in accordance with the endowment agreements or instructions of the Board of Governors.

The Endowment fund capital is managed under contract by professional investment managers in accordance with the Foundation's investment policies. The primary objectives of the Foundation's policies are to provide for long-term granting to North York General Hospital. The financial objectives of the Investment Policies are: capital preservation; absolute real returns, net of inflation, sufficient to meet the minimum granting requirements imposed by the Canada Revenue Agency; and to maximize the total rate of return within acceptable risk tolerances to enable growth of the endowments over the long term.

Interest and dividend income from this fund is transferred to the Restricted Fund when earned. Grants are made from the Restricted fund in accordance with the Granting Policy of the Foundation, when required by North York General Hospital.

Compliance with restrictions imposed by donors or the Board of Governors and adherence to the Foundation's Investment and Granting Policies are monitored by management and reported to committees of the Board of Governors. Management has determined that the restrictions and policies have been satisfactorily complied with for the fiscal year ended March 31, 2011 on a consistent basis with the preceding year.

13. Commitment

As at March 31, 2011 the Foundation has entered into a contract with professional fundraisers to conduct a fundraising event during the fiscal year ending March 2012. Total committed costs for the event are approximately \$681,534 (2010 - \$612,500). At March 31, 2011 the statement of financial position includes approximately \$NIL (2010 - \$146,272) of prepaid expenses consisting primarily of deposits with respect to the event. Approximately \$8,676 (2010 - \$41,547) has been collected in contributions and is included in deferred revenue at March 31, 2011 and March 31, 2010 respectively.

14. 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 \$144,884 (2010 - \$147,147)

15. Government remittances

No amounts were outstanding with respect to government remittances at March 31, 2011, March 31, 2010 or April 1, 2009.

16. Subsequent event

Subsequent to the year end date the Foundation and the Hospital agreed to enter into an arrangement which will result in the Foundation leasing certain parking lot facilities from the Hospital and retaining the Hospital to provide certain management and administrative services with respect to the parking lot facilities. Agreements to finalize this arrangement were in process at the reporting date.