

North York General Hospital Foundation

Financial Statements
March 31, 2013



June 20, 2013

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, 2013 and the statements of operations and changes in fund balances and cash flows for the year then ended, 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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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

North York General Hospital Foundation

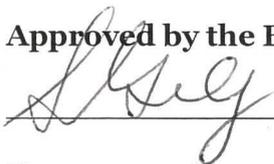
Statement of Financial Position

As at March 31, 2013

	2013 \$	2012 \$
Assets		
Current assets		
Cash	1,841,784	1,318,738
Accounts receivable and sundry assets	535,563	426,034
	<u>2,377,347</u>	<u>1,744,772</u>
Investments (note 6(a))	52,279,840	44,885,207
Interest in charitable trust (note 3)	689,000	689,000
Capital assets (note 4)	46,741	28,800
	<u>55,392,928</u>	<u>47,347,779</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	190,890	339,636
Due to North York General Hospital (note 7(a))	1,107,466	610,311
Deferred revenue	130,486	129,511
	<u>1,428,842</u>	<u>1,079,458</u>
Fund Balances		
General Fund	1,163,653	(77,307)
Restricted Fund	17,866,863	15,523,141
Endowment Fund	34,933,570	30,822,487
	<u>53,964,086</u>	<u>46,268,321</u>
	<u>55,392,928</u>	<u>47,347,779</u>

Commitments (note 12)

Approved by the Board of Governors



Governor



Governor

The accompanying notes are an integral part of these financial statements.

North York General Hospital Foundation

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2013

	General Fund		Restricted Fund		Endowment Fund		Total	
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$
Revenue								
Contributions	1,732,337	1,016,418	7,502,696	5,340,809	745,400	1,094,959	9,980,433	7,452,186
Special events	15,050	483	700,204	1,269,583	216,690	235,200	931,944	1,505,266
Gain on sale of revenue-producing properties (note 5)	-	-	-	-	1,045,502	339,261	1,045,502	339,261
	1,747,387	1,016,901	8,202,900	6,610,392	2,007,592	1,669,420	11,957,879	9,296,713
Investments								
Investment income (note 6(b))	3,201,198	529,204	1,214,056	643,237	-	-	4,415,254	1,172,441
Investment management fees	(125,875)	(111,658)	-	-	-	-	(125,875)	(111,658)
	3,075,323	417,546	1,214,056	643,237	-	-	4,289,379	1,060,783
Expenses (note 7(b))								
Administrative	771,164	621,317	811,268	793,247	-	-	1,582,432	1,414,564
Fundraising	1,884,151	2,015,022	-	-	-	-	1,884,151	2,015,022
Special events	4,680	-	223,762	646,205	-	-	228,442	646,205
	2,659,995	2,636,339	1,035,030	1,439,452	-	-	3,695,025	4,075,791
Excess (deficiency) of revenue over expenses before the undernoted	2,162,715	(1,201,892)	8,381,926	5,814,177	2,007,592	1,669,420	12,552,233	6,281,705
Parking operations (note 7(b))								
Revenue	6,577,208	5,200,819	-	-	-	-	6,577,208	5,200,819
Expenses	5,919,000	5,135,830	-	-	-	-	5,919,000	5,135,830
	658,208	64,989	-	-	-	-	658,208	64,989
Excess (deficiency) of revenue over expenses before grants	2,820,923	(1,136,903)	8,381,926	5,814,177	2,007,592	1,669,420	13,210,441	6,346,694
Grants to North York General Hospital								
Cash	539,372	-	4,975,304	3,630,055	-	-	5,514,676	3,630,055
Excess (deficiency) of revenue over expenses and grants for the year	2,281,551	(1,136,903)	3,406,622	2,184,122	2,007,592	1,669,420	7,695,765	2,716,639
Fund balances - Beginning of year	(77,307)	254,713	15,523,141	13,413,703	30,822,487	29,883,266	46,268,321	43,551,682
Interfund transfers (note 8)	(1,040,591)	804,883	(1,062,900)	(74,684)	2,103,491	(730,199)	-	-
Fund balances - End of year	1,163,653	(77,307)	17,866,863	15,523,141	34,933,570	30,822,487	53,964,086	46,268,321

The accompanying notes are an integral part of these financial statements.

North York General Hospital Foundation

Statement of Cash Flows

For the year ended March 31, 2013

	2013	2012
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses and grants for the year	7,695,765	2,716,639
Items not affecting cash		
Net change in fair value of investments	(3,939,525)	(130,948)
Amortization of capital assets	14,870	16,341
Changes in non-cash working capital items (note 9)	239,855	408,109
	<u>4,010,965</u>	<u>3,010,141</u>
Investing activities		
Purchase of capital assets	(32,811)	(1,131)
Purchase of investments	(4,885,080)	(2,846,204)
Sale of investments	1,429,972	-
	<u>(3,487,919)</u>	<u>(2,847,335)</u>
Increase in cash during the year	523,046	162,806
Cash - Beginning of year	<u>1,318,738</u>	<u>1,155,932</u>
Cash - End of year	<u>1,841,784</u>	<u>1,318,738</u>

The accompanying notes are an integral part of these financial statements.

North York General Hospital Foundation

Notes to Financial Statements

March 31, 2013

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.

Fund accounting

The financial statements include the following funds:

- The General Fund comprises mainly 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 when services are provided.

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

North York General Hospital Foundation

Notes to Financial Statements

March 31, 2013

Investment income

Investment income is accrued as it is earned. Investment income includes dividend and interest income, and changes in the fair value of investments, 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 transferred from the General Fund (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. For financial instruments subsequently measured at amortized cost, transaction costs are capitalized on a straight-line basis over the useful life of the related financial instruments. All other transaction costs are expensed as incurred.

Contributed goods and services

Donated capital assets are recorded at fair value when fair value can be reasonably estimated. Donated materials and services are not recognized in the financial statements; however, they are valued for the purposes of providing the donor with a charitable receipt.

Contribution 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.

Cash

Cash represents cash on hand and cash in the bank.

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 five years
Computer equipment	straight-line over five years

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

North York General Hospital Foundation

Notes to Financial Statements

March 31, 2013

Financial instruments

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

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 and changes in fund balances for the year.

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.

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 initially at fair value based on discounted cash flows as estimated in an independent valuation report. This contribution is carried on the statement of financial position at amortized cost.

4 Capital assets

	2013		2012	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and equipment	119,245	111,535	7,710	1,760
Computer equipment	170,596	131,565	39,031	27,040
	289,841	243,100	46,741	28,800

North York General Hospital Foundation

Notes to Financial Statements

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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 are being 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 2013, three parcels were sold (2012 - one parcel was sold). As at March 31, 2013, seven parcels remain to be sold (2012 - 10).

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:

	2013 \$	2012 \$
Bank term deposits	3,800,000	-
Money market fund	-	4,513,617
Fixed income fund	12,879,317	9,761,585
Balanced fund	35,600,523	30,610,005
	<hr/> 52,279,840	<hr/> 44,885,207

b) Investment income is made up of the following:

	2013 \$	2012 \$
Interest and dividends	475,729	1,041,493
Change in fair value of investments	3,939,525	130,948
	<hr/> 4,415,254	<hr/> 1,172,441

North York General Hospital Foundation

Notes to Financial Statements

March 31, 2013

7 Related party transactions

The Hospital, which is affiliated with the Foundation, is an independent corporation without share capital and has an independent board of directors. 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. 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.

- a) Amounts due to related party are non-interest bearing, unsecured and the payment is due on request. The due to related party amounts are summarized as follows:

	2013 \$	2012 \$
Parking operations	905,699	442,284
Salaries and other operating expenses	201,767	168,027
	<u>1,107,466</u>	<u>610,311</u>

- b) The impact of related party transactions on the statement of operations and changes in fund balances of the Foundation is summarized as follows:

	2013 \$	2012 \$
Parking operations - expenses	5,919,000	5,135,830
Expenses		
Salaries	2,273,877	2,058,072
Other	23,224	42,991
	<u>8,216,101</u>	<u>7,236,893</u>

These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

North York General Hospital Foundation

Notes to Financial Statements

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8 Interfund transfers

	2013		
	General Fund \$	Restricted Fund \$	Endowment Fund \$
Transfer of net investment gains on endowed funds from the General Fund to the Endowment Fund	(2,672,692)	-	2,672,692
Transfer of administrative, management and other expenses related to endowments (i)	745,201	-	(745,201)
Other transfers to reflect donor directions	886,900	(1,062,900)	176,000
	<u>(1,040,591)</u>	<u>(1,062,900)</u>	<u>2,103,491</u>
	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>

- 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.

9 Changes in non-cash working capital items

	2013 \$	2012 \$
Accounts receivable and sundry assets	(109,529)	204,397
Accounts payable and accrued liabilities	(148,746)	(109,452)
Due to North York General Hospital	497,155	329,190
Deferred revenue	975	(16,026)
	<u>239,855</u>	<u>408,109</u>

North York General Hospital Foundation

Notes to Financial Statements

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10 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 governors 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. Governors' 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 governor or officer of the Foundation. The maximum amount of any potential future payment cannot be reasonably estimated.

11 Financial risk management

The Foundation is subject to market, currency, interest rate and credit 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 holds 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.

North York General Hospital Foundation

Notes to Financial Statements

March 31, 2013

12 Commitments

As at March 31, 2013, the Foundation has entered into contracts with third parties with respect to fundraising events and professional consultancy during the fiscal year ending March 31, 2014. Total committed costs are approximately \$61,000 (2012 - \$21,300).

13 Pension

Substantially 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 \$183,881 (2012 - \$163,252).

14 Entitlements

The Foundation is the income beneficiary of an estate, which is administered by a major Canadian trust company. The fair value of the Foundation's portion of the estate as at March 31, 2013 is \$1,518,256 (2012 - \$1,445,059), which represents an 8.25% share in the estate. The income included in restricted or unrestricted contribution revenue for the year ended March 31, 2013 is \$51,601 (2012 - \$43,274).

15 Comparative figures

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