

North York General Hospital Foundation

Financial Statements
March 31, 2017



June 23, 2017

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, 2017 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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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, 2017 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 Professional Accountants, Licensed Public Accountants

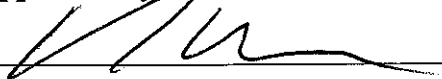
North York General Hospital Foundation

Statement of Financial Position


As at March 31, 2017

	2017 \$	2016 \$
Assets		
Current assets		
Cash	595,637	1,472,024
Accounts receivable and sundry assets	148,131	144,582
	<u>743,768</u>	<u>1,616,606</u>
Investments (note 5(a))	80,882,366	69,791,572
Capital assets (note 3)	47,121	39,674
	<u>81,673,255</u>	<u>71,447,852</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	141,476	85,922
Due to North York General Hospital (note 6(a))	1,457,637	228,925
Deferred revenue	207,688	551,493
	<u>1,806,801</u>	<u>866,340</u>
Fund Balances		
General Fund	2,158,554	1,513,829
Restricted Fund	24,346,086	19,691,333
Endowment Fund	53,361,814	49,376,350
	<u>79,866,454</u>	<u>70,581,512</u>
	<u>81,673,255</u>	<u>71,447,852</u>
Commitments (note 10)		

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, 2017

	General Fund		Restricted Fund		Endowment Fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue								
Contributions	2,456,436	2,041,380	6,760,957	6,906,928	1,907,680	455,331	11,125,073	9,403,639
Special events	13,387	19,925	1,663,262	654,254	128,696	272,354	1,805,345	946,533
Gain on sale of revenue-producing properties (note 4)	-	-	-	-	-	1,168,574	-	1,168,574
Investments								
Investment income (note 5(b))	3,040,954	(70,312)	1,872,933	1,757,154	-	-	4,913,887	1,686,842
Investment management fees	(172,916)	(169,522)	-	-	-	-	(172,916)	(169,522)
Expenses (note 6(b))								
Administrative	2,868,038	(239,834)	1,872,933	1,757,154	-	-	4,740,971	1,517,320
Fundraising	533,553	689,538	897,884	827,624	-	-	1,431,437	1,517,162
Special events	2,012,594	2,111,780	559,364	124,012	-	-	2,012,594	2,111,780
	-	811	-	-	-	-	559,364	124,823
Excess (deficiency) of revenue over expenses before grants	2,546,147	2,802,129	1,457,248	951,636	-	-	4,003,395	3,753,765
Grants to North York General Hospital	2,791,714	(980,658)	8,839,904	8,366,700	2,036,376	1,896,259	13,667,994	9,282,301
Excess (deficiency) of revenue over expenses before impairment	133,771	-	4,249,281	10,212,063	-	-	4,383,052	10,212,063
Impairment of interest in charitable trust	2,657,943	(980,658)	4,590,623	(1,845,363)	2,036,376	1,896,259	9,284,942	(929,762)
	-	(429,000)	-	-	-	-	-	(429,000)
Excess (deficiency) of revenue over expenses and grants for the year	2,657,943	(1,409,656)	4,590,623	(1,845,363)	2,036,376	1,896,259	9,284,942	(1,358,762)
Fund balances - Beginning of year	1,513,829	1,920,778	19,691,333	21,525,282	49,376,350	48,464,214	70,581,512	71,940,274
Interfund transfers (note 7)	(2,013,218)	1,002,709	64,130	11,414	1,949,088	(1,014,123)	-	-
Fund balances - End of year	2,158,554	1,513,829	24,346,086	19,691,333	53,361,814	49,376,350	79,866,454	70,581,512

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, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses and grants for the year	9,284,942	(1,358,762)
Items not affecting cash		
Net change in fair value of investments (note 5(b))	(1,883,230)	2,454,679
Non-cash investment management fee	175,414	173,504
Non-cash reinvested investment income	(2,798,766)	(3,894,426)
Amortization of capital assets	17,897	17,543
Impairment of interest in charitable trust	-	429,000
Changes in non-cash working capital items (note 8)	936,912	386,422
	<u>5,733,169</u>	<u>(1,792,040)</u>
Financing activities		
Proceeds from interest in charitable trust	-	260,000
Investing activities		
Purchase of capital assets	(25,344)	(8,353)
Purchase of investments	(8,928,752)	(3,391,571)
Proceeds from sale of investments	2,344,540	4,231,080
	<u>(6,609,556)</u>	<u>831,156</u>
Decrease in cash during the year	(876,387)	(700,884)
Cash - Beginning of year	1,472,024	2,172,908
Cash - End of year	<u>595,637</u>	<u>1,472,024</u>

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

North York General Hospital Foundation

Notes to Financial Statements

March 31, 2017

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 (Canada) (the 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.

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 raise funds through annual appeals, corporate and individual solicitations, endowment funds, planned giving, special events and tributes.

2 Summary of significant accounting policies

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

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.

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

North York General Hospital Foundation

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Capital assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

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 year in which the changes are identified.

When a capital asset no longer has any long-term service potential to the Foundation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations and changes in fund balances. A writedown is not reversed.

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
Accounts receivable and sundry assets	amortized cost
Accounts payable and accrued liabilities	amortized cost
Due to North York General Hospital	amortized cost

For financial instruments subsequently measured at amortized cost, transaction costs are capitalized and amortized on a straight-line basis over the useful lives of the related financial instruments. All other transaction costs are expensed as incurred.

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 using ASNPO, 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 year in which they become known. Actual results could differ from those estimates.

North York General Hospital Foundation

Notes to Financial Statements

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3 Capital assets

			2017	2016
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and equipment	150,131	125,460	24,671	7,174
Computer equipment	208,484	186,034	22,450	32,500
	<u>358,615</u>	<u>311,494</u>	<u>47,121</u>	<u>39,674</u>

4 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 were being held for the benefit of the Hospital and the terms of the established endowment provided that the net proceeds of the sale of any Sheldrake Lands be retained as capital of the endowment. The net proceeds of sale were recorded as and when realized since 2001. All parcels of land were sold by March 31, 2016.

5 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:

	2017 \$	2016 \$
Bank term deposits	15,142,110	7,959,844
Fixed income fund	12,762,980	12,720,929
Balanced fund	52,977,276	49,110,799
	<u>80,882,366</u>	<u>69,791,572</u>

b) Investment income is made up of the following:

	2017 \$	2016 \$
Net change in fair value of investments	1,883,230	(2,454,679)
Interest and dividends	3,030,657	4,141,521
	<u>4,913,887</u>	<u>1,686,842</u>

North York General Hospital Foundation

Notes to Financial Statements

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6 Related party transactions

The Hospital is an independent corporation without share capital and has an independent Board of Directors. The Hospital is considered to have significant influence over the Foundation as there are some common board members between the two organizations. The Hospital provides the Foundation 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.

- a) The amount payable to the Hospital relates to grants, salaries and other operating expenses paid by the Hospital on the Foundation's behalf. The payment terms are similar to those for trade payables.
- b) The amounts paid to the Hospital, which have been expensed in the statement of operations and changes in fund balances, are as follows:

	2017 \$	2016 \$
Salaries	2,438,486	2,617,456
Other	35,943	19,423
	<u>2,474,429</u>	<u>2,636,879</u>

7 Interfund transfers

	2017		
	General Fund \$	Restricted Fund \$	Endowment Fund \$
Transfer of net investment income on endowed funds from the General Fund to the Endowment Fund	(2,520,459)	-	2,520,459
Transfer of administrative, management and other expenses related to endowments (i)	540,129	-	(540,129)
Other transfers to reflect donor directions	(32,888)	64,130	(31,242)
	<u>(2,013,218)</u>	<u>64,130</u>	<u>1,949,088</u>

North York General Hospital Foundation

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	2016		
	General Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Transfer of net investment losses on endowed funds from the General Fund to the Endowment Fund	430,570	-	(430,570)
Transfer of administrative, management and other expenses related to endowments (i)	572,264	-	(572,264)
Other transfers to reflect donor directions	(125)	11,414	(11,289)
	<u>1,002,709</u>	<u>11,414</u>	<u>(1,014,123)</u>

- i) The interfund transfer represents an allocation of 12% of eligible endowed donations received in the year and 1% on the Endowment Fund balance transferred from the Endowment Fund to the General Fund.

Interfund transfers have been approved by the Board of Governors.

8 Changes in non-cash working capital items

	2017	2016
	\$	\$
Accounts receivable and sundry assets	(3,549)	(23,603)
Accounts payable and accrued liabilities	55,554	(51,756)
Due to North York General Hospital	1,228,712	1,778
Deferred revenue	(343,805)	460,003
	<u>936,912</u>	<u>386,422</u>

9 Financial risk management

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

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. To manage this risk, the Foundation invests in pooled funds representing a mix of local and international securities.

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.

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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 maturities.

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.

10 Commitments

The Foundation has entered into contracts with third parties with respect to fundraising events and professional consultancy during the year ended March 31, 2017. Total committed costs for future payments are approximately \$213,907 (2016 - \$231,932).

11 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 \$193,990 (2016 - \$215,121).

12 Entitlements

The Foundation was the income beneficiary of an estate, which was administered by a major Canadian trust company until the Judgement of the Ontario Superior Court of Justice on October 25, 2016, which ordered and declared the variation of the Last Will and Testament of the estate. The variation authorized the Foundation to become the special trustee for its 8.25% share in the estate. The fair value of the Foundation's portion of the estate as at October 25, 2016 was \$1,756,458 (March 31, 2016 - \$1,706,005). The Foundation received \$1,650,000 pursuant to the Judgement and recorded the amount in contributions revenue in the endowment fund. The funds were invested perpetually within a pooled endowment fund administered by the Foundation and the income distribution from the estate prior to the Judgement was \$30,896 (2016 - \$65,175).

13 Comparative figures

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