

Financial Statements

Toronto General & Western Hospital Foundation

March 31, 2009

AUDITORS' REPORT

To the Members of
Toronto General & Western Hospital Foundation

We have audited the balance sheet of **Toronto General & Western Hospital Foundation** as at March 31, 2009 and the statement of revenue, expenses and changes in fund balances for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
May 15, 2009.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto General & Western Hospital Foundation
 Incorporated without share capital under the laws of Ontario

BALANCE SHEET

As at March 31

	2009	2008
	\$	\$
	[000's]	
ASSETS		
Current		
Cash and cash equivalents	10,424	8,778
Accounts receivable and prepaid expenses	120	100
Total current assets	10,544	8,878
Investments, at market value [notes 4 and 12]	249,241	251,396
Capital assets, net [note 5]	173	138
	259,958	260,412
LIABILITIES AND FUND BALANCES		
Current		
Accounts payable and accrued liabilities	719	723
Current portion of loan payable [note 12]	—	1,400
Due to University Health Network [note 11[e]]	5,601	3,948
Deferred revenue	93	194
Total current liabilities	6,413	6,265
Loan payable [note 12]	2,800	4,200
Total liabilities	9,213	10,465
Fund balances		
General	549	280
Expendable Restricted [note 6]	129,435	109,558
Endowment [note 7]	120,761	140,109
Total fund balances	250,745	249,947
	259,958	260,412

See accompanying notes

On behalf of the Board:

Director

Director

Toronto General & Western Hospital Foundation

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES

Year ended March 31

	<u>General Fund</u>		<u>Expendable Restricted Fund</u>		<u>Endowment Fund</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$	\$	\$	\$	\$	\$	\$	\$
	[000's]		[000's]		[000's]		[000's]	
REVENUE								
Donations <i>[note 12]</i>	1,502	1,510	34,224	30,054	10,773	6,183	46,499	37,747
Special events, net of direct expenses <i>[note 8]</i>	—	—	3,894	5,584	—	—	3,894	5,584
Bequests	203	386	5,125	822	—	63	5,328	1,271
Total fundraising revenue	1,705	1,896	43,243	36,460	10,773	6,246	55,721	44,602
Investment income (loss) <i>[note 7]</i>	3,984	4,284	(1,544)	653	(20,780)	(5,130)	(18,340)	(193)
	5,689	6,180	41,699	37,113	(10,007)	1,116	37,381	44,409
EXPENSES								
Fundraising and administrative <i>[note 11]</i>	7,208	6,720	1,640	973	—	—	8,848	7,693
Excess (deficiency) of revenue over expenses before grants	(1,519)	(540)	40,059	36,140	(10,007)	1,116	28,533	36,716
Grants to University Health Network <i>[note 11[b]]</i>	—	(54)	(27,735)	(35,443)	—	—	(27,735)	(35,497)
Excess (deficiency) of revenue over expenses and grants for the year	(1,519)	(594)	12,324	697	(10,007)	1,116	798	1,219
Fund balances, beginning of year	280	825	109,558	103,643	140,109	144,260	249,947	248,728
Interfund transfers <i>[note 9]</i>	1,788	49	7,553	5,218	(9,341)	(5,267)	—	—
Fund balances, end of year	549	280	129,435	109,558	120,761	140,109	250,745	249,947

See accompanying notes

Toronto General & Western Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

1. PURPOSE OF THE ORGANIZATION

Toronto General & Western Hospital Foundation [the "Foundation"] is incorporated under the laws of Ontario as a corporation without share capital. The Foundation raises, receives, accumulates and distributes funds and/or the income therefrom for charitable purposes and, in particular, for the benefit of University Health Network ["UHN"] in respect of medical research, education and other activities related to health care.

The Foundation is a public foundation registered under the Income Tax Act (Canada) [the "Act"] and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes under Registration #12386 4068 RR 0001. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2008, the Foundation adopted the recommendations of CICA 1535: *Capital Disclosures*, which require the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the Foundation's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures which are provided in note 15.

Effective April 1, 2008, the Foundation adopted retroactively the changes to the recommendations in CICA 4400: *Financial Statement Presentation for Not-For-Profit Organizations* that eliminate the requirement to separately disclose the amount of fund balances invested in capital assets. The Foundation has therefore eliminated from the financial statements details about the amount of the General Fund invested in capital assets [April 1, 2008 - \$138,000; April 1, 2007 - \$91,000] and the calculation of this amount.

Future changes in accounting policies

The CICA has issued revisions to the 4400 series and certain other sections to amend or improve certain parts of the CICA Handbook that relate to not-for-profit organizations. With respect to presentation, these changes include making the disclosure of fund balances invested in capital assets optional, making CICA 1540: *Cash Flow Statements* applicable to not-for-profit organizations; and requiring the reporting of revenues and expenses on a gross basis in the statement of operations unless not required by other guidance. A new section, CICA 4470: *Disclosure of Allocated Expenses by Not-for-Profit Organizations*, was included in the revisions which requires certain disclosures when fundraising and general support expenses are allocated to other functions. These changes in accounting policies must be adopted by years beginning on or

Toronto General & Western Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

after January 1, 2009 with earlier adoption permitted. Management has adopted the recommendations related to the disclosure of fund balances invested in capital assets and is assessing the impact of the other revisions. However, the impact will be limited to reclassification of numbers in the statements and additional disclosures.

In February 2008, the Accounting Standards Board amended CICA 1000: *Financial Statement Concepts* to clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized on the balance sheet. The amendments are effective for financial statements for fiscal years beginning on or after October 1, 2008. The Foundation is examining its current approach to recognizing costs as assets and will implement these standards effective April 1, 2009 retroactively with restatement of the prior year.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles. The more significant accounting policies are as follows:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

For financial reporting purposes, the Foundation's funds have been classified as follows:

The General Fund comprises amounts available for immediate use for the general purposes of the Foundation as determined by the Board of Directors.

The Expendable Restricted Fund comprises amounts that are to be used for specific purposes as specified by the donors 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 Directors.

Revenue recognition

Donations are recorded when the cash is received. Outstanding pledges have not been recorded as donations in these financial statements.

Toronto General & Western Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

Donor-restricted contributions for endowment purposes are recognized as revenue of the Endowment Fund. Other donor-restricted contributions are recognized as revenue of the Expendable Restricted Fund. Unrestricted contributions are recognized as revenue of the General Fund.

Cash and cash equivalents

Cash and cash equivalents consist of cash in deposit and short-term investments with an original term to maturity less than 90 days.

Investments and investment income

Investments are recorded at market value. Publicly traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred. Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of revenue, expenses and changes in fund balances.

Investment income (loss) earned on the Endowment Fund resources that must be spent on donor-restricted activities is recognized in the Expendable Restricted Fund. Investment income (loss) subject to external restrictions stipulating that it be added to the principal amount of the endowment is recognized in the Endowment Fund. Unrestricted investment income (loss) earned on General Fund, Expendable Restricted Fund and Endowment Fund resources is recognized in the General Fund.

Financial instruments

The Foundation has chosen to apply CICA 3861: *Financial Instruments - Disclosure and Presentation* in place of CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*.

Toronto General & Western Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the transaction date. The market value of investments and other monetary items denominated in foreign currencies are translated at the year-end rate.

Contributed goods and services

Contributed capital assets transferred to UHN are recognized at their fair market value. Other donated materials and services are not recognized in these financial statements.

Special events

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

Employee future benefits plans

The Foundation participates in a multi-employer defined benefit pension plan and a non-pension defined benefit plan sponsored by UHN. Contributions to these plans are expensed when due.

Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. Amortization is provided on a declining balance basis over the estimated useful lives of the assets at the following rates:

Furniture and equipment	20%
Computer hardware and software	30% - 50%

Toronto General & Western Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

4. INVESTMENTS

Investments classified as long-term, at market value, consist of the following:

	2009 \$	2008 \$
Term deposits	13,793	20,494
Bonds		
Canada/Provincial	71,662	51,924
Corporate	95,830	96,676
	167,492	148,600
Equities		
Canadian	20,358	26,064
U.S.	25,273	28,580
Pooled funds – global	22,325	27,658
	67,956	82,302
	249,241	251,396

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

	2009		2008	
	Weighted average yield %	Average term to maturity [years]	Weighted average yield %	Average term to maturity [years]
Term deposits	0.55	0.25	3.22	0.29
Canada/Provincial bonds	1.55	3.90	3.18	5.97
Corporate bonds	3.81	5.02	3.56	2.14

Investments are managed as two pools:

- Investments related to the Endowment Fund are invested as follows: short-term investments - 5% [2008 - 4%], equities - 58% [2008 - 59%] and bonds - 37% [2008 - 37%].
- Investments related to the Expendable Restricted Fund are invested primarily in bonds.

Toronto General & Western Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

5. CAPITAL ASSETS

Capital assets consist of the following:

	2009			2008		
	Cost \$	Accumulated amortization \$	Net book value \$	Cost \$	Accumulated amortization \$	Net book value \$
Furniture and equipment	267	158	109	226	139	87
Computer hardware and software	360	296	64	320	269	51
	627	454	173	546	408	138

Capital assets purchased during the year amounted to \$81 [2008 - \$76].

Amortization expense of \$46 [2008 - \$30] was recorded in the statement of revenue, expenses and changes in fund balances.

6. EXPENDABLE RESTRICTED FUND

The Expendable Restricted Fund balance represents the excess of amounts received with external restrictions over expenses for the following purposes:

	2009 \$	2008 \$
Research	67,610	57,534
Capital assets	46,845	39,115
Other	14,980	12,909
	129,435	109,558

Toronto General & Western Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

7. ENDOWMENT FUND

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

	2009	2008
	\$	\$
Funds externally restricted for endowment purposes		
Income from which must be used for a restricted purpose	91,655	102,806
Income from which is unrestricted	13,982	17,909
Externally restricted funds restricted for endowment purposes by the Board of Directors	8,897	11,418
Unrestricted funds restricted for endowment purposes by the Board of Directors	6,227	7,976
	120,761	140,109

[b] The Foundation has a policy designed to protect the real value of endowments by limiting the amount of investment income made available for spending and requiring the reinvestment of income not made available. The investment income currently made available for spending is 4% and for administration is 1%. Effective April 1, 2009, the amount made available for spending will be 3% with 1% for administration.

The preservation of capital [i.e., any excess investment income earned above the payout rate] is recorded as revenue of the Endowment Fund for donor-designated funds. For Board-designated unrestricted funds, the preservation of capital is recorded as income of the General Fund and transferred to the Endowment Fund in the statement of revenue, expenses and changes in fund balances. For Board-designated restricted funds, the preservation of capital is recorded as income in the Expendable Restricted Fund and transferred to the Endowment Fund in the statement of revenue, expenses and changes in fund balances.

[c] In 2009, there was a loss of \$20,780 [2008 - \$5,130] on investments held for externally restricted endowments. Losses of \$3,302 [2008 - \$763] related to Board-designated funds, were recorded in the General and Expendable Restricted Funds and offset by transfers from the Endowment Fund [note 9[a]] [2008 - note 9[d]].

Toronto General & Western Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

The amount of \$5,722 [2008 - \$5,358] made available for spending as calculated in accordance with the Foundation's Endowment Fund policy was transferred to the Expendable Restricted and General Funds from the Endowment Fund. The amount of \$1,448 [2008 - \$1,459] made available for administration in accordance with Board policy was transferred from the Endowment Fund to the General Fund [note 9[b]] [2008 - note 9[e]].

8. SPECIAL EVENTS

During the year, the Foundation raised gross revenue from special events of \$4,865 [2008 - \$7,056] and incurred direct expenses of \$971 [2008 - \$1,472]. The net revenue of \$3,894 [2008 - \$5,584] is included in the statement of revenue, expenses and changes in fund balances.

9. INTERFUND TRANSFERS

Transfers between funds consist of the following:

	2009		
	General Fund	Expendable Restricted Fund	Endowment Fund
	\$	\$	\$
[a] Allocation of investment income in accordance with Board policy [note 7[c]]	1,122	2,180	(3,302)
[b] Amount available for spending and administration in accordance with Board policy [note 7[c]]	2,481	4,689	(7,170)
[c] Other Board/donor approved transfers	(1,815)	684	1,131
	1,788	7,553	(9,341)

Toronto General & Western Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

	2008		
	General Fund	Expendable Restricted Fund	Endowment Fund
	\$	\$	\$
[d] Allocation of investment income in accordance with Board policy [note 7[c]]	31	732	(763)
[e] Amount available for spending and administration in accordance with Board policy [note 7[c]]	2,427	4,390	(6,817)
[f] Other Board/donor approved transfers	(2,409)	96	2,313
	49	5,218	(5,267)

10. UNIVERSITY OF TORONTO GRADUATE STUDENT ENDOWMENT

During 1997, the Foundation negotiated an agreement in which a grant of \$335 from the Foundation to the University of Toronto [the "University"] was matched equally by the University and the Ontario Government through the Ontario Student Opportunity Trust Fund. This established a \$1,005 endowment to be held by the University for the benefit of graduate students studying with University faculty members located at the hospital facilities and engaged in urological research.

The following financial results for the year ended March 31, 2009 were reported by the University to the Foundation:

	Endowment Fund	Expendable Fund
	\$	\$
Balance, at market value, as of March 31, 2008	1,190	150
Investment loss	(354)	—
Transfer to Expendable Fund	—	—
Student awards	—	—
Balance, at market value, as of March 31, 2009	836	150

Toronto General & Western Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

11. RELATED PARTY TRANSACTIONS

[a] The Foundation, together with two affiliated foundations, is responsible for fundraising activities carried out on behalf of UHN.

[b] During the year, the Foundation funded the following projects carried out at UHN:

	<u>General Fund</u>		<u>Expendable Restricted Fund</u>		<u>Endowment Fund</u>	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Equipment, building and renovation	—	—	6,958	13,103	—	—
Research, education and patient care	—	54	20,777	22,340	—	—
	—	54	27,735	35,443	—	—

[c] Salaries, benefits and certain other expenses are paid by UHN and are reimbursed by the Foundation.

[d] The Foundation pays certain common expenses on behalf of affiliated foundations and reimburses these foundations for those common expenses incurred by them.

[e] Amounts due to UHN are interest free and due on demand.

12. LOAN PAYABLE

In fiscal 2008, the Foundation received a \$5,600 interest-free loan for the purpose of investment against which the Foundation pledged a guaranteed investment certificate as security. During the year, \$2,800 of the loan was forgiven and recognized as donations revenue. The balance of the loan of \$2,800 is payable in two equal instalments due on January 31, 2011 and 2012.

13. FINANCIAL INSTRUMENTS

The Foundation is subject to market risk, foreign currency risk and interest rate price risk with respect to its investments. To manage these risks, the Foundation has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

Toronto General & Western Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

[in thousands]

March 31, 2009

14. STATEMENT OF CASH FLOWS

A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.

15. CAPITAL MANAGEMENT

In managing capital, the Foundation focuses on liquid resources available for operations. The Foundation's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2009, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 135,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit ey.com/ca.

ey.com/ca

© 2009 Ernst & Young LLP. All rights reserved.
A member firm of Ernst & Young Global Limited.

