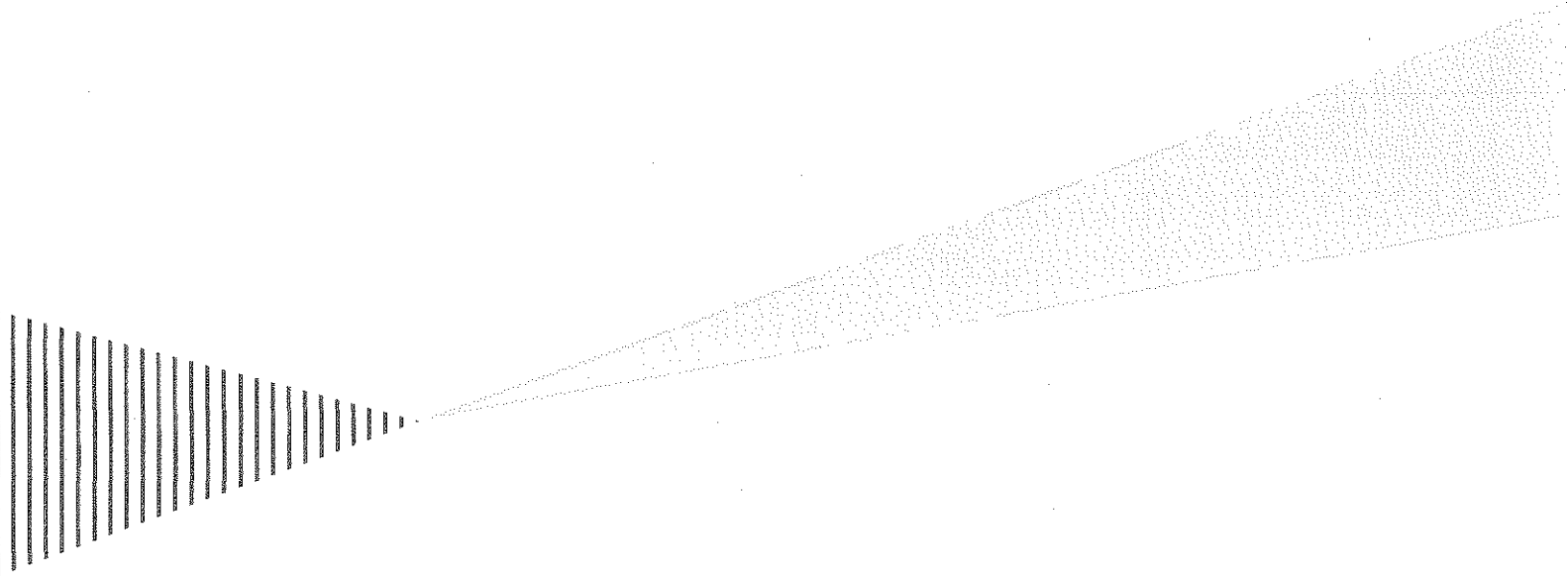


Financial Statements

Toronto Rehabilitation Institute Foundation
March 31, 2016



Building a better
working world

INDEPENDENT AUDITORS' REPORT

To the Members of
Toronto Rehabilitation Institute Foundation

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Toronto Rehabilitation Institute Foundation**, which comprise the balance sheet as at March 31, 2016, and the statements of operations and changes in fund balances and cash flows for the year then ended, 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.

Auditors' 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 auditors' 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 auditors consider 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 **Toronto Rehabilitation Institute Foundation** as at March 31, 2016, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Toronto, Canada
June 13, 2016

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Toronto Rehabilitation Institute Foundation

BALANCE SHEET

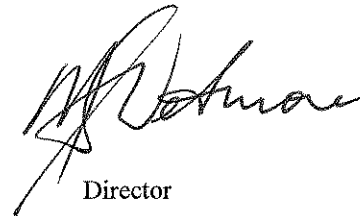
As at March 31

	2016	2015
	\$	\$
ASSETS		
Cash	1,668,694	3,357,789
Accounts receivable	326,067	122,167
Investments <i>[note 3]</i>	25,030,725	25,184,981
	27,025,486	28,664,937
LIABILITIES AND FUND BALANCES		
Liabilities		
Accrued liabilities	134,323	116,997
Due to University Health Network <i>[note 8[c]]</i>	6,888,232	8,251,066
Total liabilities	7,022,555	8,368,063
Commitments <i>[notes 8[d] and 9]</i>		
Fund balances		
Unrestricted	1,160,600	1,545,392
Restricted <i>[note 4]</i>	11,107,543	9,469,000
Endowment <i>[note 5]</i>	7,734,788	9,282,482
Total fund balances	20,002,931	20,296,874
	27,025,486	28,664,937

See accompanying notes

On behalf of the Board:


Director


Director

Toronto Rehabilitation Institute Foundation

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended March 31

	Unrestricted Fund		Restricted Fund		Endowment Fund		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Donations	1,560,069	871,922	3,557,807	3,002,194	200,000	205,964	5,317,876	4,080,080
Special events	83,651	118,318	334,797	615,951	—	—	418,448	734,269
Investment income (loss) [notes 3 [b] and 5 [d]]	49,411	952,870	(59,035)	589,646	(96,070)	217,137	(105,694)	1,759,653
	1,693,131	1,943,110	3,833,569	4,207,791	103,930	423,101	5,630,630	6,574,002
EXPENSES [note 8 [b]]								
Salaries and benefits	1,524,572	1,519,220	40,000	35,000	—	—	1,564,572	1,554,220
Special events	25,053	37,850	34,335	65,429	—	—	59,388	103,279
Other	416,638	327,961	14,517	490	—	—	431,155	328,451
	1,966,263	1,885,031	88,852	100,919	—	—	2,055,115	1,985,950
Excess (deficiency) of revenue over expenses before the following	(273,132)	58,079	3,744,717	4,106,872	103,930	423,101	3,575,515	4,588,052
Grants [note 8 [a]]	(1,419,608)	(700,000)	(2,449,850)	(2,743,635)	—	—	(3,869,458)	(3,443,635)
Excess (deficiency) of revenue over expenses for the year	(1,692,740)	(641,921)	1,294,867	1,363,237	103,930	423,101	(293,943)	1,144,417
Fund balances, beginning of year	1,545,392	1,986,185	9,469,000	8,494,334	9,282,482	8,671,938	20,296,874	19,152,457
Interfund transfers [note 6]	1,307,948	201,128	343,676	(388,571)	(1,651,624)	187,443	—	—
Fund balances, end of year	1,160,600	1,545,392	11,107,543	9,469,000	7,734,788	9,282,482	20,002,931	20,296,874

See accompanying notes

Toronto Rehabilitation Institute Foundation

STATEMENT OF CASH FLOWS

Year ended March 31

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	(293,943)	1,144,417
Changes in non-cash balances related to operations		
Accounts receivable	(203,900)	(75,041)
Accrued liabilities	17,326	(68,486)
Due to University Health Network	(1,362,834)	3,136,791
Cash provided by (used in) operating activities	(1,843,351)	4,137,681
INVESTING ACTIVITIES		
Net change in investments	154,256	(1,782,006)
Cash provided by (used in) investing activities	154,256	(1,782,006)
Net increase (decrease) in cash during the year	(1,689,095)	2,355,675
Cash, beginning of year	3,357,789	1,002,114
Cash, end of year	1,668,694	3,357,789

See accompanying notes

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

1. PURPOSE

Toronto Rehabilitation Institute 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 to improve and enhance rehabilitation research, professional education and patient care activities provided by the Toronto Rehabilitation Institute [“Toronto Rehab”] which is part of the University Health Network [“UHN”].

The Foundation is a public foundation registered under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes, under Registration Number 88098 0461 RR 0001.

The Foundation is responsible for all fundraising activities carried out on behalf of Toronto Rehab.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada [“CPA Canada”] Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Fund accounting

The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purposes for which they were provided. Transfers between the funds are made when it is considered appropriate and authorized by the Board of Directors [the “Board”]. These interfund transfers are recorded in the statement of operations and changes in fund balances.

For financial reporting purposes, the accounts have been classified into the following funds:

[a] Unrestricted Fund

The Unrestricted Fund accounts for the Foundation’s general fundraising, granting and administrative activities. The Unrestricted Fund reports unrestricted resources available for immediate purposes.

[b] Restricted Fund

The Restricted Fund includes those funds where resources are to be used for an identified purpose as specified by the donor, as stipulated by the fundraising appeal or as determined by the Board.

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

[c] Endowment Fund

The Endowment Fund includes those funds where either donor or internal restrictions require that the principal be maintained by the Foundation on a permanent basis.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which include grants, bequests and other donations. Grants and bequests are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue in the Unrestricted Fund when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are recognized in the Restricted Fund when initially recorded in the accounts. Externally restricted endowment contributions are recognized in the Endowment Fund when initially recorded in the accounts.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations and changes in fund balances. Investment income earned on Restricted Fund and Endowment Fund resources that must be spent on donor-restricted activities is recognized in the Restricted Fund. Investment income (loss) subject to restrictions stipulating that it be added to (deducted from) the principal amount of the endowment is recognized in the Endowment Fund. Unrestricted investment income (loss) earned on Unrestricted Fund, Restricted Fund and Endowment Fund resources is recognized in the Unrestricted Fund.

Revenue for special events is recognized when earned.

Contributed capital assets that are transferred to Toronto Rehab are recognized at their fair market value as donations revenue in the financial statements.

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

Financial instruments

Investments reported at fair value consist of equity instruments quoted in an active market, pooled funds, and fixed income securities and equity instruments not quoted in an active market that the Foundation designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations and changes in fund balances in the period during which they are incurred.

Investments in fixed income investments and equity instruments not quoted in an active market not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at cost or amortized cost using the straight-line method, less any provision for impairment.

All transactions are recorded on a trade date basis.

Other financial instruments are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Grants

Grants are recorded when approved and the recipient has met all conditions.

Contributed materials and services

Volunteers contribute a substantial number of hours each year to assist the Foundation in carrying out its fundraising activities; however, those services cannot be readily valued and are therefore not recognized in the financial statements.

Allocation of expenses

Direct costs of fundraising programs are allocated between the Unrestricted Fund and Restricted Fund based on the fund in which the related revenue is recorded. All salaries and benefits are allocated to the Unrestricted Fund, unless they relate to a special event or there is a special fundraising campaign, in which case salaries and benefits are allocated to the Restricted Fund based on an estimate of time spent on the campaign.

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

3. INVESTMENTS

[a] Investments consist of the following:

	Carrying value	2016 \$	2015 \$
Equities			
Canadian	Fair value	3,834,288	3,563,695
U.S. and other foreign	Fair value	1,893,679	2,443,496
Short-term investments	Fair value	—	12,505
Bonds	Fair value	19,302,757	19,165,284
Investment in start-up company	Cost	1	1
		25,030,725	25,184,981

Investments in pooled funds have been allocated among the asset classes based on the underlying investments in the pooled funds.

[b] Investment loss of \$105,694 [2015 – investment income of \$1,759,653] is net of investment counselling fees of \$105,647 [2015 – \$108,273].

4. RESTRICTED FUND

The Restricted Fund includes funds held for the following purposes for Toronto Rehab:

	2016 \$	2015 \$
Externally restricted		
Program	6,913,262	5,498,722
Research	2,467,571	2,318,119
Capital	1,583,745	1,515,582
	10,964,578	9,332,423
Internally restricted	142,965	136,577
	11,107,543	9,469,000

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

5. ENDOWMENT FUND

[a] The Endowment Fund consists of externally restricted contributions received by the Foundation where the endowment principal is required to be maintained intact. The Endowment Fund also includes internal resources transferred by the Board to the Endowment Fund, with the intention that the principal be maintained intact. The investment income generated from assets held for endowment purposes must be used in accordance with the various purposes established by the donors or the Board.

[b] Major categories of the Endowment Fund balances are as follows:

	2016 \$	2015 \$
Donor-designated	3,432,987	4,658,728
Board-designated		
Unrestricted funds	87,295	93,526
Restricted funds	4,214,506	4,530,228
	<u>7,734,788</u>	<u>9,282,482</u>

Included in donor-designated funds is 2,292,904 [2015 – \$2,428,228] held as a research chair supporting the research program at Toronto Rehab. The Board-designated restricted funds represent additional funds held as research chairs at the Board's direction.

In addition, during 2001, the Foundation and the University of Toronto [the "University"] each contributed \$1,500,000 to establish The Toronto Rehabilitation Institute Chair. The University is responsible for managing this endowment with the intent that the capital value be maintained in perpetuity. These funds are recorded in the financial statements of the University. The annual income from this endowment is to be made available to support the holder of the Chair. As of April 30, 2015, the date of the most recent valuation, the market value of the original \$3,000,000 endowment was approximately \$3,353,782.

[c] Investment income is allocated among the funds based on the Foundation's policy. This policy has the objective of protecting the real value of the endowments over time by limiting the amount of income made available for spending and requiring the reinvestment of any income in excess of this limit. Currently, the income available for spending is set at 3.5% of the average value of each fund with the exception of certain research chair funds which are at 5%.

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

The preservation of capital is recorded as revenue of the Endowment Fund for externally endowed funds. For Board-designated unrestricted funds, the preservation of capital is recorded as income of the Unrestricted Fund and transferred to the Endowment Fund in the statement of operations and changes in fund balances. For Board-designated restricted funds, the preservation of capital is recorded as income of the Restricted Fund and transferred to the Endowment Fund in the statement of operations and changes in fund balances. In any year, should net investment income not be sufficient to fund the amount required for spending, the amount that is to be made available for spending is funded by a transfer from the Endowment Fund. This amount is expected to be recovered by future net investment income.

- [d] In 2016 there was an investment loss of \$96,070 on investments held for Donor-designated endowment funds. The investment loss of \$2,226 on Board-designated unrestricted endowment funds and \$88,427 on Board-designated restricted endowment funds were recognized in the Unrestricted Fund and Restricted Fund, respectively, and then transferred to the Endowment Fund *[note 6]*.

The amounts made available for spending as calculated in accordance with the Foundation's policy, related to Donor-designated endowment funds of \$210,184 and the amount made available for spending on Board-designated restricted and unrestricted endowment funds of \$231,300, were transferred from the Endowment Fund to the Restricted Fund. *[note 6]*.

- [e] In 2015, investment income of \$806,782 was earned on investments held for endowment funds. Of this amount, \$217,137 related to preservation of capital for donor-designated funds was recorded as investment income in the Endowment Fund. Capital preservation of \$6,079, related to Board-designated unrestricted funds, was recorded as income in the Unrestricted Fund and then transferred to the Endowment Fund. Capital preservation of \$181,364, related to Board-designated restricted funds, was recorded as income in the Restricted Fund and then transferred to the Endowment Fund *[note 6]*.

Of the total investment income, \$190,922 and \$217,359 earned on donor-designated endowment and Board-designated restricted endowment funds was made available for spending and recorded as Restricted Fund revenue. Investment income of \$3,751 earned on Board-designated unrestricted funds was made available for spending and recorded as revenue in the Unrestricted Fund and transferred to the Restricted Fund *[note 6]*.

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

6. INTERFUND TRANSFERS

Transfers between funds consist of the following:

	2016		
	Unrestricted Fund \$	Restricted Fund \$	Endowment Fund \$
Allocation of investment loss and amount available for spending related to			
Board-designated endowments <i>[note 5[d]]</i>	2,226	319,727	(321,953)
Donor-designated endowments <i>[note 5[d]]</i>	—	210,184	(210,184)
Donor-approved transfers	1,119,487	—	(1,119,487)
Board-approved transfers	186,235	(186,235)	—
	1,307,948	343,676	(1,651,624)
	2015		
	Unrestricted Fund \$	Restricted Fund \$	Endowment Fund \$
Allocation of investment income and amount available for spending related to			
Board-designated endowments <i>[note 5[d]]</i>	(9,830)	(177,613)	187,443
Board-approved transfers	210,958	(210,958)	—
	201,128	(388,571)	187,443

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

7. PLEDGES

Pledges have been committed and will be recorded as donation revenue when received. Management believes that substantially all of these pledges will be collected. The payment schedule for the pledges is as follows:

	\$
2017	3,181,397
2018	3,323,472
2019	3,130,994
2020	2,543,567
2021	1,933,841
2022 and thereafter	2,768,165
	<u>16,188,436</u>

8. RELATED PARTY TRANSACTIONS

- [a] In fiscal 2016, the Foundation recorded grants of \$3,869,458 [2015 – \$3,443,635] to UHN for research and other initiatives.
- [b] UHN provides certain services to the Foundation and pays some expenses on behalf of the Foundation. The Foundation reimburses UHN for all direct costs associated with services provided and expenses paid, including salaries and benefits of \$1,564,572 [2015 – \$1,554,220] associated with staff working at the Foundation. UHN provides office space to the Foundation on a rent-free basis.
- [c] The amount due to UHN of \$6,888,232 [2015 – \$8,251,066] as at March 31, 2016 relates to grants and expenses paid on behalf of the Foundation and is payable on demand and is non-interest bearing.
- [d] As at March 31, 2016, there are approved commitments for fiscal 2017 to provide Toronto Rehab with grants of \$1,392,262 for annual operations funding for research scientists, \$675,000 in annual funding for research chairs and \$200,000 for post-doctoral fellow support. In addition, there is a commitment to provide \$6,140,000 for the redevelopment of the E.W. Bickle Centre for Complex Continuing Care, to be fulfilled in instalments through to fiscal 2021.

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

9. SUBSEQUENT EVENT

In May 2016, the Foundation Board approved two requests to provide matching funds for proposed infrastructure projects at Toronto Rehab: \$962,636 to support renovations at the Lyndhurst Centre and \$984,747 to support renovations at the University Centre.

Restricted Funds are in place for the Lyndhurst Centre project. Funding is not currently in place for the University Centre project, and as such, management has been charged with identifying an appropriate source of funds and will investigate fundraising opportunities.

Funding applications for these projects were submitted on Toronto Rehab's behalf by UHN and the University of Toronto to the Post-Secondary Institutions Strategic Investment Fund ["SIF"], a federal government program intended to accelerate infrastructure projects at universities, colleges and fully-affiliated teaching hospitals. SIF is expected to announce its decisions in June 2016. Should either of the applications be awarded SIF funding, the Foundation will be required to fulfill its commitment(s) prior to March 31, 2018.

10. FINANCIAL INSTRUMENTS

The Foundation is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Foundation is exposed to credit risk in connection with its short-term and fixed-term investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Liquidity risk

The Foundation is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities and future commitments. The Foundation derives a significant portion of its revenues through fundraising with no firm commitment of funding in future years.

Currency risk

The Foundation is exposed to currency risk with respect to the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

Toronto Rehabilitation Institute Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

Interest rate risk

The Foundation is exposed to interest rate risk with respect to its short-term and fixed-term investments and the underlying investments in a pooled fund that holds fixed income securities, because the fair value will fluctuate due to changes in market interest rates.

Other price risk

The Foundation is exposed to other price risk through changes in market prices [other than changes arising from interest rate risk or currency risk] in connection with its investments in pooled funds.

11. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2016 financial statements.

