

Toronto Rehabilitation Institute Foundation

Financial statements
March 31, 2020



Independent auditor's report

To the Members of
Toronto Rehabilitation Institute Foundation

Opinion

We have audited the financial statements of the **Toronto Rehabilitation Institute Foundation** [the "Foundation"], which comprise the balance sheet as at March 31, 2020, and the statement of operations and changes in fund balances and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2020, 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.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – subsequent event

We draw attention to note 11 to the financial statements, which describes the approved amalgamation of the Foundation with another charitable organization. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 15, 2020

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Toronto Rehabilitation Institute Foundation

Balance sheet

As at March 31

	2020	2019
	\$	\$
Assets		
Current		
Cash	1,448,071	976,879
Accounts receivable <i>[note 7]</i>	32,645	84,424
Investments, measured at fair value <i>[note 3]</i>	24,321,783	26,652,965
	<u>25,802,499</u>	<u>27,714,268</u>
Liabilities and fund balances		
Accrued liabilities	214,439	90,151
Deferred revenue	28,000	32,500
Due to University Health Network <i>[note 8[c]]</i>	3,550,811	2,111,718
Total liabilities	<u>3,793,250</u>	<u>2,234,369</u>
Commitments <i>[note 8[d]]</i>		
Fund balances		
Unrestricted	(291,022)	490,182
Restricted <i>[note 4]</i>	14,225,820	16,312,141
Endowment <i>[note 5]</i>	8,074,451	8,677,576
Total fund balances	<u>22,009,249</u>	<u>25,479,899</u>
	<u>25,802,499</u>	<u>27,714,268</u>

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		Restricted		Endowment		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Donations <i>[note 7[a]]</i>	1,922,290	1,555,889	7,120,767	4,546,944	78,650	98,434	9,121,707	6,201,267
Special events	488,745	53,715	364,375	517,262	—	—	853,120	570,977
Investment income (loss) <i>[notes 3[b]] and 5[d]]</i>	41,982	132,219	(22,749)	1,222,785	(117,693)	58,391	(98,460)	1,413,395
	2,453,017	1,741,823	7,462,393	6,286,991	(39,043)	156,825	9,876,367	8,185,639
Expenses <i>[note 8[b]]</i>								
Salaries and benefits	2,449,080	2,055,677	69,300	96,780	—	—	2,518,380	2,152,457
Special events	130,305	392	65,208	233,691	—	—	195,513	234,083
Other	470,178	604,777	33,653	11,025	—	—	503,831	615,802
	3,049,563	2,660,846	168,161	341,496	—	—	3,217,724	3,002,342
Excess (deficiency) of revenue over expenses before the following	(596,546)	(919,023)	7,294,232	5,945,495	(39,043)	156,825	6,658,643	5,183,297
Grants <i>[note 8[a]]</i>	(1,833,898)	(1,800,000)	(8,295,395)	(6,365,169)	—	—	(10,129,293)	(8,165,169)
Excess (deficiency) of revenue over expenses for the year	(2,430,444)	(2,719,023)	(1,001,163)	(419,674)	(39,043)	156,825	(3,470,650)	(2,981,872)
Fund balances, beginning of year	490,182	2,448,877	16,312,141	17,526,037	8,677,576	8,486,857	25,479,899	28,461,771
Interfund transfers <i>[note 6]</i>	1,649,240	760,328	(1,085,158)	(794,222)	(564,082)	33,894	—	—
Fund balances, end of year	(291,022)	490,182	14,225,820	16,312,141	8,074,451	8,677,576	22,009,249	25,479,899

See accompanying notes

Toronto Rehabilitation Institute Foundation

Statement of cash flows

Year ended March 31

	2020	2019
	\$	\$
Operating activities		
Deficiency of revenue over expenses for the year	(3,470,650)	(2,981,872)
Changes in non-cash balances related to operations		
Accounts receivable	51,779	369,594
Accrued liabilities	124,288	(88,971)
Deferred revenue	(4,500)	32,500
Due to University Health Network	1,439,093	(2,060,635)
Cash used in operating activities	(1,859,990)	(4,729,384)
Investing activities		
Net change in investments	2,331,182	4,112,456
Cash provided by investing activities	2,331,182	4,112,456
Net increase (decrease) in cash during the year	471,192	(616,928)
Cash, beginning of year	976,879	1,593,807
Cash, end of year	1,448,071	976,879

See accompanying notes

Toronto Rehabilitation Institute Foundation

Notes to financial statements

March 31, 2020

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 *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.

[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.

Toronto Rehabilitation Institute Foundation

Notes to financial statements

March 31, 2020

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.

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.

Toronto Rehabilitation Institute Foundation

Notes to financial statements

March 31, 2020

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.

3. Investments

[a] Investments consist of the following:

	Carrying value	2020 \$	2019 \$
Treasury bills	Fair value	9,863	9,752
Equities			
Canadian	Fair value	3,991,778	4,587,693
U.S. and other foreign	Fair value	4,808,285	4,947,094
Bonds	Fair value	15,511,856	17,108,425
Investment in start-up company	Cost	1	1
		24,321,783	26,652,965

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

[b] Investment loss of \$98,460 [2019 – investment income of \$1,413,395] is net of investment counselling fees of \$123,929 [2019 – \$130,956].

Toronto Rehabilitation Institute Foundation

Notes to financial statements

March 31, 2020

4. Restricted Fund

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

	2020 \$	2019 \$
Externally restricted		
Program	5,808,706	5,881,125
Research	6,492,390	7,265,008
Capital	1,554,468	148,547
	<u>13,855,564</u>	<u>13,294,680</u>
Internally restricted	370,256	3,017,461
	<u>14,225,820</u>	<u>16,312,141</u>

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:

	2020 \$	2019 \$
Donor-designated	3,886,758	4,128,326
Board-designated		
Unrestricted Funds	89,502	97,229
Restricted Funds	4,098,191	4,452,021
	<u>8,074,451</u>	<u>8,677,576</u>

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 at April 30, 2019, the date of the most recent valuation, the market value of the original \$3,000,000 endowment was approximately \$3,753,538.

Toronto Rehabilitation Institute Foundation

Notes to financial statements

March 31, 2020

- [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%.

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 2020, there was an investment loss of \$117,693 on investments held for Donor-designated endowment funds. The investment loss of \$3,238 on Board-designated unrestricted endowment funds and \$118,717 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 \$202,525 and the amount made available for spending on Board-designated restricted and unrestricted endowment funds of \$239,602 were transferred from the Endowment Fund to the Restricted Fund *[note 6]*.

In 2019, investment income of \$520,847 was earned on investments held for endowment funds. Of this amount, \$58,391 related to preservation of capital for donor-designated funds was recorded as investment income in the Endowment Fund. Capital preservation of \$2,694 related to Board-designated unrestricted funds, was recorded as income in the Unrestricted Fund and then transferred to the Endowment Fund. Capital preservation of \$31,200, 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, \$193,161 and \$231,065 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 \$4,336 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, 2020

6. Interfund transfers

Transfers between funds consist of the following:

	2020		
	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>	3,238	358,319	(361,557)
Donor-designated endowments <i>[note 5[d]]</i>	—	202,525	(202,525)
Board and donor approved transfers	1,646,002	(1,646,002)	—
	1,649,240	(1,085,158)	(564,082)

	2019		
	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>	(7,030)	(26,864)	33,894
Board-approved transfers	767,358	(767,358)	—
	760,328	(794,222)	33,894

Toronto Rehabilitation Institute Foundation

Notes to financial statements

March 31, 2020

7. Bequests and pledges

- [a] As at March 31, 2020, accounts receivable includes nil [2019 – \$30,000] representing the outstanding payment with respect to nil [2019 – one] pledge.
- [b] 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:

	\$
2021	5,519,562
2022	3,946,507
2023	3,322,482
2024	2,710,849
2025	2,508,349
2026 and thereafter	4,206,272
	<u>22,214,021</u>

8. Related party transactions

- [a] In fiscal 2020, the Foundation recorded grants of \$10,129,293 [2019 – \$8,165,169] 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 \$2,518,380 [2019 – \$2,152,457] 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 \$3,550,811 [2019 – \$2,111,718] as at March 31, 2020 relates to grants and expenses paid on behalf of the Foundation, is payable on demand and is non-interest bearing.
- [d] As at March 31, 2020, there are approved commitments for fiscal 2021 to provide Toronto Rehab with grants of \$1,800,000 for annual operations funding for research scientists and \$2,340,000 for the redevelopment of the E.W. Bickle Centre for Complex Continuing Care.

Additional Board approved commitments include: \$985,680 in annual funding for research chairs [to be funded through installments over the period ending in fiscal 2023]; \$2,764,858 for additional research initiatives [to be funded through installments over the period ending in fiscal 2023]; and \$555,500 for other grants [to be funded through installments over the period ending in fiscal 2022].

Toronto Rehabilitation Institute Foundation

Notes to financial statements

March 31, 2020

9. 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 revenue 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.

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.

Toronto Rehabilitation Institute Foundation

Notes to financial statements

March 31, 2020

10. COVID-19

In March 2020, the outbreak of the Coronavirus disease ["COVID-19"] was declared a pandemic by the World Health Organization and has resulted in governments worldwide enacting emergency measures to combat the spread of the virus.

As a result of this pandemic the economy and the financial markets have changed significantly and continue to evolve. These events caused a change in the economy as volatility is high around the world at this time. This situation generated significant variances in the financial markets which impacted the fair value of the investments and the Foundation's net assets as at March 31, 2020. As the markets continue to evolve, there is still a lot of volatility and as such, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Foundation in future periods especially as it relates to the valuation of the investment portfolio. In addition, the deep economic and social impacts of this pandemic have the potential for significantly impacting donations and other sources of revenue for the Foundation; given the significant uncertainty, the precise impact cannot be estimated at this time.

Management considered the impact of COVID-19 in its assessment of the Foundation's assets and liabilities and its ability to continue as a going concern and these financial statements have been prepared on a going concern basis.

11. Subsequent event

An Amalgamation Agreement [the "Agreement"] was approved between the Foundation and the Toronto General & Western Hospital Foundation to amalgamate to form one corporation. Upon the terms of the Agreement, the two entities will continue as a corporation under the authority conferred by the provisions of the *Corporations Act* (Ontario) under a new name. The effective date is still to be determined as it will be the date in which the Letters Patent of Amalgamation issued by the Minister of Government and Consumer Services of Ontario take effect.