

Sunnybrook Health Sciences Centre Foundation

Financial Statements
**March 31, 2013, March 31, 2012 and
April 1, 2011**



June 27, 2013

Independent Auditor's Report

To the Board of Directors of Sunnybrook Health Sciences Centre Foundation

We have audited the accompanying financial statements of Sunnybrook Health Sciences Centre Foundation, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sunnybrook Health Sciences Centre Foundation as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP


Chartered Accountants, Licensed Public Accountants

Sunnybrook Health Sciences Centre Foundation

Statements of Financial Position

	March 31, 2013			March 31, 2012			April 1, 2011
	Unrestricted \$	Restricted \$	Total \$	Unrestricted \$	Restricted \$	Total \$ (Restated - note 2)	Total \$ (Restated - note 2)
Assets							
Current assets							
Cash and cash equivalents	6,301,709	-	6,301,709	6,385,055	3,769,191	10,154,246	10,997,428
Amounts receivable	281,353	8,006	289,359	268,570	15,179	283,749	378,902
Prepaid expenses and other assets	-	43,500	43,500	103,205	8,658	111,863	140,621
	6,583,062	51,506	6,634,568	6,756,830	3,793,028	10,549,858	11,516,951
Long-term investments (note 4)	26,561	131,324,045	131,350,606	22,324	108,119,148	108,141,472	98,106,166
Other receivable	740,050	-	740,050	740,050	-	740,050	740,050
Property, plant and equipment (note 5)	99,320	-	99,320	76,939	-	76,939	72,179
	7,448,993	131,375,551	138,824,544	7,596,143	111,912,176	119,508,319	110,435,346
Liabilities							
Current liabilities							
Amounts payable and accrued liabilities	965,722	41,222	1,006,944	284,930	74,433	359,363	621,398
Deferred revenue	151,039	41,312	192,351	94,000	148,090	242,090	286,297
Due to Sunnybrook Health Sciences Centre (note 6)	1,596,226	-	1,596,226	1,536,214	-	1,536,214	1,804,004
	2,712,987	82,534	2,795,521	1,915,144	222,523	2,137,667	2,711,699
Fund Balances	4,736,006	131,293,017	136,029,023	5,680,999	111,689,653	117,370,652	107,723,647
	7,448,993	131,375,551	138,824,544	7,596,143	111,912,176	119,508,319	110,435,346

Approved by the Board of Directors



Director



Director

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

Sunnybrook Health Sciences Centre Foundation

Statements of Operations and Changes in Fund Balances

For the years ended March 31, 2013 and March 31, 2012

	2013			2012		
	Unrestricted \$	Restricted \$	Total \$	Unrestricted \$	Restricted \$	Total \$ (Restated - note 2)
Fundraising revenues (note 10)						
Individuals	4,237,224	18,748,125	22,985,349	4,697,536	14,618,309	19,315,845
Corporations	212,215	9,549,847	9,762,062	306,863	9,863,386	10,170,249
Foundations	132,244	8,436,051	8,568,295	156,078	7,131,041	7,287,119
	<u>4,581,683</u>	<u>36,734,023</u>	<u>41,315,706</u>	<u>5,160,477</u>	<u>31,612,736</u>	<u>36,773,213</u>
Expenditures						
Salaries and benefits	6,056,225	-	6,056,225	4,785,629	-	4,785,629
Fundraising	3,839,183	167,925	4,007,108	3,312,020	105,104	3,417,124
Administration	582,735	-	582,735	736,379	-	736,379
Amortization	46,092	-	46,092	41,720	-	41,720
	<u>10,524,235</u>	<u>167,925</u>	<u>10,692,160</u>	<u>8,875,748</u>	<u>105,104</u>	<u>8,980,852</u>
Surplus (deficit) before the undernoted items	<u>(5,942,552)</u>	<u>36,566,098</u>	<u>30,623,546</u>	<u>(3,715,271)</u>	<u>31,507,632</u>	<u>27,792,361</u>
Parking operations (note 7)						
Revenue	17,002,539	-	17,002,539	16,651,148	-	16,651,148
Expenditures	12,226,223	-	12,226,223	12,856,302	-	12,856,302
	<u>4,776,316</u>	<u>-</u>	<u>4,776,316</u>	<u>3,794,846</u>	<u>-</u>	<u>3,794,846</u>
Investment income (note 8)	<u>3,022,460</u>	<u>6,787,911</u>	<u>9,810,371</u>	<u>1,851,852</u>	<u>1,969,468</u>	<u>3,821,320</u>
Surplus before distributions	<u>1,856,224</u>	<u>43,354,009</u>	<u>45,210,233</u>	<u>1,931,427</u>	<u>33,477,100</u>	<u>35,408,527</u>
Distributions	<u>(5,126,340)</u>	<u>(21,425,522)</u>	<u>(26,551,862)</u>	<u>(4,076,249)</u>	<u>(21,685,273)</u>	<u>(25,761,522)</u>
Surplus (deficit) for the year	<u>(3,270,116)</u>	<u>21,928,487</u>	<u>18,658,371</u>	<u>(2,144,822)</u>	<u>11,791,827</u>	<u>9,647,005</u>
Interfund transfers (note 9)	<u>2,325,123</u>	<u>(2,325,123)</u>	<u>-</u>	<u>2,614,350</u>	<u>(2,614,350)</u>	<u>-</u>
Fund balances - Beginning of year	<u>5,680,999</u>	<u>111,689,653</u>	<u>117,370,652</u>	<u>5,211,471</u>	<u>102,512,176</u>	<u>107,723,647</u>
Fund balances - End of year	<u>4,736,006</u>	<u>131,293,017</u>	<u>136,029,023</u>	<u>5,680,999</u>	<u>111,689,653</u>	<u>117,370,652</u>

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

Sunnybrook Health Sciences Centre Foundation

Statements of Cash Flows

For the years ended March 31, 2013 and March 31, 2012

	2013 \$	2012 \$
Cash provided by (used in)		
Operating activities		
Surplus for the year	18,658,371	9,647,005
Items not affecting cash		
Amortization	46,092	41,720
Change in fair value of long-term investments (note 8)	(6,567,674)	1,456,070
Change in non-cash working capital items		
Amounts receivable	(5,610)	95,153
Prepaid expenses and other assets	68,363	28,758
Amounts payable and accrued liabilities	647,581	(262,035)
Deferred revenue	(49,739)	(44,207)
Due to SHSC*	60,012	(267,790)
	<u>12,857,396</u>	<u>10,694,674</u>
Investing activities		
Purchase of long-term investments	(16,641,459)	(11,491,376)
Purchase of property, plant and equipment	(68,474)	(46,480)
	<u>(16,709,933)</u>	<u>(11,537,856)</u>
Decrease in cash and cash equivalents during the year	(3,852,537)	(843,182)
Cash and cash equivalents - Beginning of year	10,154,246	10,997,428
Cash and cash equivalents - End of year	<u>6,301,709</u>	<u>10,154,246</u>
Components of cash and cash equivalents		
Cash	3,137,666	5,086,188
Cash equivalents	3,164,043	5,068,058
	<u>6,301,709</u>	<u>10,154,246</u>

* Sunnybrook Health Sciences Centre

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

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2013, March 31, 2012 and April 1, 2011

1 Nature of operations

Sunnybrook Health Sciences Centre Foundation (the Foundation) is a corporation without share capital and is incorporated under the laws of the Province of Ontario. The Foundation is a registered charity under the Income Tax Act and is exempt from income taxes provided certain requirements of the Income Tax Act are met. The Foundation was established to solicit, receive, manage and distribute funds in respect of the advancement of health science research and education and the improvement of patient care in support of legislated and strategic priorities of Sunnybrook Health Sciences Centre (SHSC or the Hospital).

The Hospital has an economic interest in the Foundation, since the Foundation, in carrying out its mission, solicits, receives, manages and distributes funds and other property for the benefit and use of the Hospital and other organizations in the community with objectives similar to those of the Hospital.

2 Transition to Canadian accounting standards for not-for-profit organizations (ASNPO)

Effective April 1, 2012, the Foundation elected to adopt Canadian accounting standards for not-for-profit organizations (Part III of The Canadian Institute of Chartered Accountants Handbook) as issued by the Canadian Accounting Standards Board. Subject to certain transition elections, the accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect.

	\$
Fund balances as at March 31, 2011, as previously reported	107,704,447
Remeasurement of employee future benefit obligation (a)	<u>19,200</u>
Opening fund balances as at April 1, 2011 under ASNPO	<u>107,723,647</u>
Surplus for the year ended March 31, 2012 as previously reported	9,653,705
Actuarial gains on employee future benefits (a)	2,000
Recognized experience gain not previously recognized (a)	<u>(8,700)</u>
Surplus for the year ended March 31, 2012 under ASNPO	<u>9,647,005</u>

The following adjustments and elections were made by the Foundation on transition to ASNPO:

- a) Under ASNPO, the Foundation recognizes gains and losses arising from the remeasurement of employee future benefit obligations in income as they arise. Prior to the transition, the Foundation used the actuarial valuation for accounting purposes, as was used under Canadian generally accepted accounting principles (GAAP). This change had an effect solely on the Unrestricted Fund.
- b) In accordance with ASNPO transitional provisions, the Foundation has elected to measure its investments at fair value, with subsequent changes in fair value to be recognized in the statements of operations and changes in fund balances.

The transition from GAAP to ASNPO had no significant impact on cash flows generated by the Foundation.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2013, March 31, 2012 and April 1, 2011

3 Summary of significant accounting policies

Basis of presentation

The financial statements of the Foundation have been prepared in accordance with ASNPO, which requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and revenues and expenditures and cash flows for the reporting period. Actual results could differ from those estimates.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The financial statements separately disclose the activities of the following funds maintained by the Foundation:

- The Unrestricted Fund reflects the general fundraising, investing, granting and administrative activities and represents unrestricted resources available for immediate use. The Unrestricted Fund also includes the results of parking operations, for which the Foundation entered into a ten-year sublease with the Hospital on May 1, 2010, plus a transfer from the Restricted Fund of a requirement for cost against restricted purpose gifts made on or after April 1, 2005, in accordance with the prescribed rates of the Foundation Board's policy. The allocation is based on lifetime giving from April 1, 2005, and ranges from 12.5% for the first \$1 million to nil% once lifetime giving exceeds \$10 million.

The requirement for cost was put in place to ensure donors of both Unrestricted and Restricted Funds contributed to the operations of the Foundation. The Unrestricted Fund is used to support the Foundation's operations and make grants to the Hospital for the highest priority needs of the Hospital.

- The Restricted Fund reflects those resources arising from fundraising, investing, granting and administrative activities, the purpose for which has been internally or externally restricted. The Restricted Fund has two primary components.
 - Restricted Operating Funds are externally restricted resources and include the undistributed balance of the expendable portion of Restricted Endowment Fund balances.
 - Restricted Endowment Funds are internally and externally restricted resources that may include an internal or external requirement that the principal be maintained. Endowment donations may be initially reflected in the Restricted Operating Fund and then recognized in the Restricted Endowment Fund once all future obligations associated with such donations are reasonably determined. Once determined, the annual distributable amount of the Restricted Endowment Fund is transferred to the Restricted Operating Fund, where it remains until actual distribution is made.

Revenues and expenditures

Donations are recognized as revenues when received. All other revenues and expenditures are recorded on the accrual basis. Amounts received relating to fundraising events to be held after the fiscal year-end are deferred and recognized on completion of the specific fundraising event.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2013, March 31, 2012 and April 1, 2011

Community programs where the Foundation does not act as a principal in the transaction are recorded in the statements of operations and changes in fund balances on revenues net of expenditures basis. Gross revenues and expenditures are set out in note 10.

Parking revenue is recorded as the service is rendered.

Investment income (loss) earned on Restricted Endowment Funds is allocated to the Restricted Endowment Fund. All other investment income (loss) is recognized as revenue in the Unrestricted Fund unless a donor has stipulated a restriction over the use of the investment income (loss).

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments that are readily convertible into known amounts of cash. Interest in respect of the cash equivalents is accrued as earned.

Other assets

Costs directly related to future fundraising events are presented as other assets when the Foundation can reliably demonstrate the event meets the criteria for recognition as an intangible asset. The related costs are expensed once the event has been held. Such costs are expensed immediately when there is insufficient evidence the event meets the criteria for recognition as an intangible asset.

Investments

Investments are recorded at quoted fair values. The fair values of the units in pooled funds are based on the quoted fair values of the securities held by the pooled funds and are provided by the administrators of the pooled funds.

Other receivable

The other receivable relates to a beneficial interest in an irrevocable charitable trust, from which the Foundation will receive income in future years. The value of the income receivable has been recorded at the net present value of the expected future revenue streams.

Property, plant and equipment

Property, plant and equipment are recorded at the lower of cost and the net recoverable amount. Amortization is calculated on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	5 years
Computer hardware	3 years
Computer software	3 years

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification below.

Cash and cash equivalents are recorded at fair value.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2013, March 31, 2012 and April 1, 2011

The investment portfolio of the Foundation is valued at fair value. Changes in the value of the portfolio are reflected in the statements of operations and changes in fund balances. Transaction costs related to financial assets are expensed as incurred.

Other receivables, amounts payable and accrued liabilities, and due to SHSC are measured at amortized cost, which approximates their fair value due to their short-term maturity.

Contributed services

Volunteers make a substantial contribution of time each year to assist the Foundation in carrying out its fundraising activities. Due to the difficulty in determining the fair value of such contributed services, they are not recognized in these financial statements.

Pledges

Pledges of future donations are recorded as donations when payment is received.

Employee future benefits

Defined contribution plan accounting is applied to the multi-employer defined benefit contributory pension plan in which the Foundation's employees participate, as the Foundation has insufficient information to apply defined benefit plan accounting.

4 Investments

The Foundation's investments are held in pooled funds and comprise the following:

	2013 \$	2012 \$
Cash and short-term deposits	2,944,034	3,458,751
Canadian equities	23,593,651	22,904,045
US equities	26,625,678	20,104,626
International equities	13,740,958	5,998,098
Fixed income	64,446,285	55,675,952
Aggregate fair value	<u>131,350,606</u>	<u>108,141,472</u>

5 Property, plant and equipment

	2013		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and equipment	451,797	396,396	55,401
Computer hardware	274,511	230,592	43,919
Computer software	90,711	90,711	-
	<u>817,019</u>	<u>717,699</u>	<u>99,320</u>

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2013, March 31, 2012 and April 1, 2011

	2012		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Furniture and equipment	417,886	374,277	43,609
Computer hardware	239,949	206,619	33,330
Computer software	90,711	90,711	-
	<u>748,546</u>	<u>671,607</u>	<u>76,939</u>

6 Related party transactions

The Hospital pays certain expenses of the Foundation and is subsequently reimbursed by the Foundation on a monthly basis. The amount reimbursed in the year was \$5,665,859 (2012 - \$4,949,366). Advances from the Hospital are non-interest bearing, unsecured and due on demand. All parking expenditures are paid to the Hospital.

7 Parking operations

On May 1, 2010, the Foundation entered into a ten-year sublease agreement for the Hospital parking facilities. The monthly lease payments are based on the adjusted net revenue from parking operations for the month. For the term of the lease, the Foundation is responsible for the management and direction of the parking operations, which facilitates opportunities for the Foundation to further its charitable purpose. The Hospital and the Foundation have also entered into a service agreement for parking operations, whereby the Hospital is providing certain services as governed and directed by the Foundation. The fee for such services is an amount equivalent to the direct costs associated with parking operations plus a percentage of parking revenues.

8 Investment income

	2013	2012
	\$	\$
Interest, dividends and realized gains	3,242,697	5,277,390
Change in fair value of long-term investments	6,567,674	(1,456,070)
Net investment income	<u>9,810,371</u>	<u>3,821,320</u>

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2013, March 31, 2012 and April 1, 2011

9 Restricted funds

	2013		
	Operating \$	Endowment \$	Total \$
Revenues			
Donations	36,253,949	480,074	36,734,023
Expenditures	(167,925)	-	(167,925)
Net fundraising income before the undernoted	36,086,024	480,074	36,566,098
Investment income (loss)	(56,265)	6,844,176	6,787,911
Surplus before distributions	36,029,759	7,324,250	43,354,009
Distributions	(21,425,522)	-	(21,425,522)
Surplus for the year	14,604,237	7,324,250	21,928,487
Requirement for costs (note 3)	(3,073,532)	(32,714)	(3,106,246)
Transfer of expendable portion	1,635,723	(1,635,723)	-
Interfund transfer from Restricted Operating Fund to Restricted Endowment Fund	(1,055,748)	1,055,748	-
Interfund transfer from Restricted Operating Fund to Unrestricted Fund	(42,149)	-	(42,149)
Interfund transfer from Unrestricted Fund to Restricted Operating Fund	822,772	-	822,772
Transfer from Unrestricted Fund to Endowed Memorial Fund	250	250	500
	(1,712,684)	(612,439)	(2,325,123)
Change in fund balances	12,891,553	6,711,811	19,603,364
Fund balances - Beginning of year	48,910,202	62,779,451	111,689,653
Fund balances - End of year	61,801,755	69,491,262	131,293,017

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2013, March 31, 2012 and April 1, 2011

	2012		
	Operating \$	Endowment \$	Total \$
Revenues			
Donations	29,702,668	1,910,068	31,612,736
Expenditures	(105,104)	-	(105,104)
Net fundraising income before the undernoted	29,597,564	1,910,068	31,507,632
Investment income (loss)	(34,901)	2,004,369	1,969,468
Surplus before distributions	29,562,663	3,914,437	33,477,100
Distributions	(21,685,273)	-	(21,685,273)
Surplus for the year	7,877,390	3,914,437	11,791,827
Requirement for costs (note 3)	(2,759,591)	-	(2,759,591)
Interfund transfer from Restricted Operating Fund to Restricted Endowment Fund	(597,558)	597,558	-
Transfer to Restricted Operating Fund from Unrestricted Fund	142,741	-	142,741
Transfer from Unrestricted Fund to Endowed Memorial Fund	-	2,500	2,500
	(3,214,408)	600,058	(2,614,350)
Change in fund balances	4,662,982	4,514,495	9,177,477
Fund balances - Beginning of year	44,247,220	58,264,956	102,512,176
Fund balances - End of year	48,910,202	62,779,451	111,689,653

10 Community events

Included in fundraising revenues are the following net revenues with respect to community events:

	2013			2012
	Unrestricted \$	Restricted \$	Total \$	Total \$
Revenues				
Individuals	2,037	1,833,928	1,835,965	1,742,853
Corporations	5,000	870,200	875,200	718,934
Foundations	-	139,466	139,466	58,052
	7,037	2,843,594	2,850,631	2,519,839
Direct expenditures	10	304,410	304,420	193,578
	7,027	2,539,184	2,546,211	2,326,261

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2013, March 31, 2012 and April 1, 2011

11 Employee benefits

Employees of the Foundation participate in the Healthcare of Ontario Pension Plan (HOOPP), a multi-employer, defined benefit contributory pension plan. Contributions to HOOPP are expensed as incurred. For the year ended March 31, 2013, the Foundation contributed \$433,044 (2012 - \$379,389).

Employees of the Foundation are also entitled to certain medical and dental benefits on early retirement. These benefits are provided as part of a benefit plan offered by the Hospital, which has been extended to the employees of the Foundation. As at March 31, 2013, the Foundation's accrued benefit obligation with respect to these benefits is \$45,200 (2012 - \$42,700). The current year's benefit of \$6,300 (2012 - \$12,000) has been recognized in the financial statements.

The following disclosure has been made in accordance with the requirements of ASNPO:

	2013 \$	2012 \$
Accrual for services in the year	4,500	3,500
Interest on accrued benefits	1,800	1,900
Actuarial gains/losses during the year	-	6,600
	<hr/>	<hr/>
Total current year's cost	6,300	12,000
	<hr/>	<hr/>
Accrued benefit obligation - Beginning of year	42,700	34,300
Expense for the year	6,300	12,000
Funding contributions	(3,800)	(3,600)
	<hr/>	<hr/>
Accrued benefit obligation - End of year	45,200	42,700

The total accrued benefit obligation as at March 31, 2013 is included in accrued liabilities. The next actuarial valuation will be completed as at April 1, 2014.

The significant actuarial assumptions adopted in estimating the Foundation's accrued benefit obligation are as follows:

	2013	2012
Discount rate for net benefit cost	4.00%	5.25%
Dental benefit escalation	4.00%	4.00%
Medical benefits cost escalation - extended health care	7.50% in 2013 decreasing by 0.50% per annum to an ultimate rate of 5.00% in 2018 and thereafter	8.00% in 2012 decreasing by 0.50% per annum to an ultimate rate of 5.00% in 2018 and thereafter

12 Government remittances

Government remittances consist of amounts (such as sales taxes and payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$35,500 (2012 - \$27,046) is included in accounts payable and accrued liabilities.