

Sunnybrook Health Sciences Centre Foundation

Financial Statements
March 31, 2015



June 22, 2015

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 statement of financial position as at March 31, 2015 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sunnybrook Health Sciences Centre Foundation as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Sunnybrook Health Sciences Centre Foundation

Statement of Financial Position

As at March 31, 2015

	2015			2014		
	Unrestricted \$	Restricted \$	Total \$	Unrestricted \$	Restricted \$	Total \$
Assets						
Current assets						
Cash and cash equivalents	13,774,335	1,690,899	15,465,234	8,742,696	1,874,771	10,617,467
Amounts receivable	52,802	-	52,802	52,991	-	52,991
Prepaid expenses	45,208	22,500	67,708	2,031	5,000	7,031
	13,872,345	1,713,399	15,585,744	8,797,718	1,879,771	10,677,489
Long-term investments						
(note 4)	30,936	184,545,721	184,576,657	26,102	155,331,868	155,357,970
Property, plant and equipment (note 5)						
	680,187	-	680,187	79,620	-	79,620
	14,583,468	186,259,120	200,842,588	8,903,440	157,211,639	166,115,079
Liabilities						
Current liabilities						
Amounts payable and accrued liabilities	1,188,066	6,781	1,194,847	784,327	19,869	804,196
Deferred revenue	68,954	435,990	504,944	17,939	197,667	215,606
Due to Sunnybrook Health Sciences Centre (note 6)	4,286,387	-	4,286,387	2,456,767	-	2,456,767
	5,543,407	442,771	5,986,178	3,259,033	217,536	3,476,569
Fund Balances						
	9,040,061	185,816,349	194,856,410	5,644,407	156,994,103	162,638,510
	14,583,468	186,259,120	200,842,588	8,903,440	157,211,639	166,115,079

Approved by the Board of Directors

Director

Director

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

Sunnybrook Health Sciences Centre Foundation

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2015

	2015			2014		
	Unrestricted \$	Restricted \$	Total \$	Unrestricted \$	Restricted \$	Total \$
Revenues						
Individuals	7,656,456	17,591,349	25,247,805	4,557,690	16,107,319	20,665,009
Corporations	143,497	6,501,366	6,644,863	176,843	9,301,810	9,478,653
Foundations	221,179	15,324,733	15,545,912	143,380	8,706,676	8,850,056
	8,021,132	39,417,448	47,438,580	4,877,913	34,115,805	38,993,718
Investment income (note 8)	4,519,169	10,530,106	15,049,275	4,662,261	12,302,093	16,964,354
	12,540,301	49,947,554	62,487,855	9,540,174	46,417,898	55,958,072
Expenditures						
Salaries and benefits	6,900,211	-	6,900,211	6,118,840	-	6,118,840
Fundraising	4,743,901	848,451	5,592,352	4,084,713	790,645	4,875,358
Administration	630,934	-	630,934	1,463,565	-	1,463,565
Amortization	43,330	-	43,330	52,096	-	52,096
	12,318,376	848,451	13,166,827	11,719,214	790,645	12,509,859
Surplus (deficit) before the undernoted items	221,925	49,099,103	49,321,028	(2,179,040)	45,627,253	43,448,213
Parking operations (note 7)						
Revenue	18,417,294	-	18,417,294	17,942,464	-	17,942,464
Expenditures	15,601,798	-	15,601,798	15,741,891	-	15,741,891
	2,815,496	-	2,815,496	2,200,573	-	2,200,573
Distributions	(2,763,166)	(17,155,458)	(19,918,624)	(2,434,517)	(16,604,782)	(19,039,299)
Surplus (deficit) for the year	274,255	31,943,645	32,217,900	(2,412,984)	29,022,471	26,609,487
Interfund transfers (note 9)	3,121,399	(3,121,399)	-	3,321,385	(3,321,385)	-
Fund balances - Beginning of year	5,644,407	156,994,103	162,638,510	4,736,006	131,293,017	136,029,023
Fund balances - End of year	9,040,061	185,816,349	194,856,410	5,644,407	156,994,103	162,638,510

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

Sunnybrook Health Sciences Centre Foundation

Statement of Cash Flows

For the year ended March 31, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Surplus for the year	32,217,900	26,609,487
Items not affecting cash		
Amortization	43,330	52,096
Write-off of other receivable	-	740,050
Change in fair value of long-term investments (note 8)	(5,739,755)	(9,878,492)
Change in non-cash working capital items		
Amounts receivable	189	236,368
Prepaid expenses	(60,677)	36,469
Amounts payable and accrued liabilities	390,651	(202,748)
Deferred revenue	289,338	23,255
Due to Sunnybrook Health Sciences Centre	1,829,620	860,541
	<u>28,970,596</u>	<u>18,477,026</u>
Investing activities		
Purchase of long-term investments	(23,478,932)	(14,128,872)
Purchase of property, plant and equipment	(643,897)	(32,396)
	<u>(24,122,829)</u>	<u>(14,161,268)</u>
Increase in cash and cash equivalents during the year	4,847,767	4,315,758
Cash and cash equivalents - Beginning of year	10,617,467	6,301,709
Cash and cash equivalents - End of year	<u>15,465,234</u>	<u>10,617,467</u>
Components of cash and cash equivalents		
Cash	15,465,234	6,837,938
Cash equivalents	-	3,779,529
	<u>15,465,234</u>	<u>10,617,467</u>

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

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2015

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 (Canada) and is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) 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 Summary of significant accounting policies

Basis of presentation

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), which require management to make estimates and assumptions that affect the 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's Board of Directors' 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.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2015

- 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 distribution from 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 an 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.

Community programs where the Foundation does not act as a principal in the transaction are recorded in the statement of operations and changes in fund balances on a revenues net of expenditures basis.

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.

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 prepaid expenses 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.

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:

Computer hardware and software	3 years
Furniture and equipment	5 years
Leasehold improvements	10 years

Sunnybrook Health Sciences Centre Foundation

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March 31, 2015

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.

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

Amounts receivable, amounts payable and accrued liabilities, and due to SHSC are measured at amortized cost, which approximates fair value due to the short-term maturity of the instruments.

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 revenue 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. The Foundation applies the actuarial valuation for accounting purposes to determine the defined benefit obligation.

3 Adoption of new standards for not-for-profit organizations

Effective April 1, 2014, the Foundation adopted Section 3463, Reporting Employee Future Benefits by Not-for-Profit Organizations, and has been applied retroactively. There is no impact to the statements of financial position, operations and changes in fund balances, and cash flows.

Under the new accounting standard, the Foundation adopted the actuarial valuation for accounting purposes to determine the defined benefit obligations.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2015

4 Investments

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

	2015 \$	2014 \$
Cash and short-term deposits	6,791,844	9,026,792
Canadian equities	29,936,193	25,182,908
Foreign equities	52,004,663	45,132,320
Fixed income	95,843,957	76,015,950
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Aggregate fair value	184,576,657	155,357,970

5 Property, plant and equipment

	2015		
	Cost \$	Accumulated amortization \$	Net \$
Computer hardware	319,157	293,360	25,797
Computer software	90,711	90,711	-
Furniture and equipment	455,760	429,051	26,709
Leasehold improvements	627,681	-	627,681
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	1,493,309	813,122	680,187

	2014		
	Cost \$	Accumulated amortization \$	Net \$
Computer hardware	303,658	263,236	40,422
Computer software	90,711	90,711	-
Furniture and equipment	455,043	415,845	39,198
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	849,412	769,792	79,620

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 \$6,499,118 (2014 - \$6,374,953). Advances from the Hospital are non-interest bearing, unsecured and due on demand. All expenditures for parking operations are paid to the Hospital.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2015

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

	2015 \$	2014 \$
Interest, dividends and realized gains	9,309,520	7,085,862
Change in fair value of long-term investments	5,739,755	9,878,492
Net investment income	<u>15,049,275</u>	<u>16,964,354</u>

9 Restricted funds

	2015		
	Operating \$	Endowment \$	Total \$
Revenues	38,889,106	528,342	39,417,448
Investment income (loss)	(16,228)	10,546,334	10,530,106
Expenditures	(848,451)	-	(848,451)
Distributions	(17,155,458)	-	(17,155,458)
Surplus for the year	<u>20,868,969</u>	<u>11,074,676</u>	<u>31,943,645</u>
Requirement for cost (note 2)	(3,007,467)	(26,408)	(3,033,875)
Annual distribution from the Restricted Endowment Fund	1,455,796	(1,455,796)	-
Interfund transfers per request by donors	(626,766)	539,242	(87,524)
	<u>(2,178,437)</u>	<u>(942,962)</u>	<u>(3,121,399)</u>
Change in fund balances	18,690,532	10,131,714	28,822,246
Fund balances - Beginning of year	<u>77,875,143</u>	<u>79,118,960</u>	<u>156,994,103</u>
Fund balances - End of year	<u>96,565,675</u>	<u>89,250,674</u>	<u>185,816,349</u>

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2015

	2014		
	Operating	Endowment	Total
	\$	\$	\$
Revenues	30,634,153	3,481,652	34,115,805
Investment income (loss)	(16,946)	12,319,039	12,302,093
Expenditures	(790,645)	-	(790,645)
Distributions	(16,604,782)	-	(16,604,782)
Surplus for the year	13,221,780	15,800,691	29,022,471
Requirement for cost (note 2)	(2,158,353)	(17,623)	(2,175,976)
Annual distribution from the Restricted Endowment Fund	1,443,695	(1,443,695)	-
Interfund transfers per request by donors	3,566,266	(4,711,675)	(1,145,409)
	2,851,608	(6,172,993)	(3,321,385)
Change in fund balances	16,073,388	9,627,698	25,701,086
Fund balances - Beginning of year	61,801,755	69,491,262	131,293,017
Fund balances - End of year	77,875,143	79,118,960	156,994,103

10 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, 2015, the Foundation contributed \$535,422 (2014 - \$483,494).

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, 2015, the Foundation's accrued benefit obligation with respect to these benefits is \$200,400 (2014 - \$135,700). The current year's benefit cost of \$79,600 (2014 - \$94,500) has been recognized in the financial statements.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2015

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

	2015	2014
	\$	\$
Accrual for services in the year	51,800	4,700
Interest on accrued benefits	7,700	1,900
Actuarial losses during the year	20,100	87,900
	<hr/>	<hr/>
Total current year's cost	79,600	94,500
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Accrued benefit obligation - Beginning of year	135,700	45,200
Expense for the year	79,600	94,500
Funding contributions	(14,900)	(4,000)
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Accrued benefit obligation - End of year	200,400	135,700
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The total accrued benefit obligation as at March 31, 2015 is included in accrued liabilities. The next actuarial valuation will be completed as at April 1, 2016.

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

	2015	2014
Discount rate for net benefit cost	4.25%	4.00%
Dental benefit escalation	4.00%	4.00%
Medical benefits cost escalation - extended health care	9.0% in 2015 decreasing by 0.25% per annum to an ultimate rate of 5.0%	9.0% in 2015 decreasing by 0.25% per annum to an ultimate rate of 5.0%

11 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, \$215,897 (2014 - \$252,113) is included in accounts payable and accrued liabilities.