

**Sunnybrook Health Sciences
Centre Foundation**

(formerly Sunnybrook and Women's College Health
Sciences Centre Foundation)

Financial Statements
March 31, 2006

June 2, 2006

Auditors' Report

**To the Board of Directors of
Sunnybrook Health Sciences Centre Foundation**

We have audited the statement of financial position of **Sunnybrook Health Sciences Centre Foundation** (the Foundation) as at March 31, 2006 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2006 and the results of its operations and the changes in its fund balances and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants

Sunnybrook Health Sciences Centre Foundation

Statement of Financial Position

As at March 31, 2006

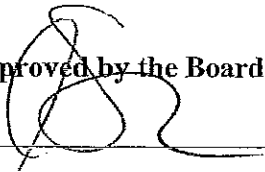
	2006			2005
	Unrestricted \$	Restricted \$	Total \$	Total \$
Assets				
Current assets				
Cash and cash equivalents	867,908	15,062,482	15,930,390	10,950,921
Amounts receivable	86,023	-	86,023	527,407
Due from SHCF**	231,289	-	231,289	3,623
Prepaid expenses	192,728	-	192,728	488,721
Due from Women's College Hospital Foundation (note 5(a))	63,419	334,563	397,982	25,697
	1,441,367	15,397,045	16,838,412	11,996,369
Long-term investments - at market (note 3)	13,937	13,729,884	13,743,821	10,299,547
Property, plant and equipment (note 4)	285,562	-	285,562	165,637
	1,740,866	29,126,929	30,867,795	22,461,553
Liabilities				
Current liabilities				
Amounts payable and accrued liabilities	701,314	-	701,314	254,520
Deferred revenue	121,497	-	121,497	1,068,400
Due to SHSC* (note 5(b))	252,935	-	252,935	646,152
	1,075,746	-	1,075,746	1,969,072
Fund Balances	665,120	29,126,929	29,792,049	20,492,481
	1,740,866	29,126,929	30,867,795	22,461,553

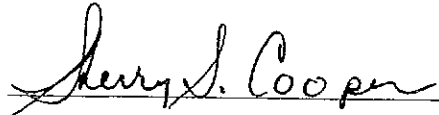
* Sunnybrook Health Sciences Centre

** Sunnybrook Hospital Crown Foundation

See accompanying notes to financial statements.

Approved by the Board of Directors

 Director

 Director

Sunnybrook Health Sciences Centre Foundation

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2006

			2006	2005
	Unrestricted \$	Restricted \$ (note 7)	Total \$	Total \$
Revenues				
Donations (note 9)				
Individuals	4,817,887	7,620,455	12,438,342	10,415,418
Corporations	221,980	4,819,538	5,041,518	4,871,440
Foundations	115,028	2,655,633	2,770,661	1,252,946
Women's College Hospital Foundation (note 5(a))	-	3,043,035	3,043,035	3,871,795
	5,154,895	18,138,661	23,293,556	20,411,599
Investment income (note 6)	337,252	1,445,758	1,783,010	883,477
	5,492,147	19,584,419	25,076,566	21,295,076
Expenditures				
Salaries and benefits	3,332,386	49,294	3,381,680	3,164,118
Fundraising	1,468,741	177,819	1,646,560	2,353,704
Administration	571,525	-	571,525	795,847
Amortization	96,573	-	96,573	72,758
	5,469,225	227,113	5,696,338	6,386,427
Excess of revenues over expenditures before distributions	22,922	19,357,306	19,380,228	14,908,649
Distributions (notes 5(a) and 8)	-	9,840,806	9,840,806	13,576,518
Excess of revenues over expenditures for the year	22,922	9,516,500	9,539,422	1,332,131
Fund balances - Beginning of year	(530,555)	21,023,036	20,492,481	19,160,350
Interfund transfers (note 7)	1,172,753	(1,172,753)	-	-
Funds transfer (note 7)	-	(239,854)	(239,854)	-
Fund balances - End of year	665,120	29,126,929	29,792,049	20,492,481

See accompanying notes to financial statements.

Sunnybrook Health Sciences Centre Foundation

Statement of Cash Flows

For the year ended March 31, 2006

	2006 \$	2005 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenditures for the year	9,539,422	1,332,131
Items not affecting cash		
Amortization	96,573	72,758
Unrealized gain on long-term investments	(879,033)	(319,774)
Change in non-cash working capital items		
Amounts receivable	441,384	(298,159)
Inventories	-	3,732
Prepaid expenses	295,993	149,404
Due from Women's College Hospital Foundation	(372,285)	(697)
Amounts payable and accrued liabilities	446,794	(381,203)
Deferred revenue	(946,903)	(694,709)
Due to SHSC*	(393,217)	(47,727)
Due from SHCF**	(227,666)	1,811
	<u>8,001,062</u>	<u>(182,433)</u>
Investing activities		
Net increase in long-term investments	(2,565,241)	(3,379,147)
Net funds transfer to Women's College Hospital Foundation (note 1)	(543,850)	-
Purchase of property, plant and equipment	(216,498)	(81,014)
Funds transfer from Hospital (note 5(e))	303,996	-
	<u>(3,021,593)</u>	<u>(3,460,161)</u>
Increase (decrease) in cash and cash equivalents during the year	4,979,469	(3,642,594)
Cash and cash equivalents - Beginning of year	10,950,921	14,593,515
Cash and cash equivalents - End of year	<u>15,930,390</u>	<u>10,950,921</u>
Components of cash and cash equivalents		
Cash	3,428,095	1,239,854
Cash equivalents	12,502,295	9,711,067
	<u>15,930,390</u>	<u>10,950,921</u>

* Sunnybrook Health Sciences Centre

** Sunnybrook Hospital Crown Foundation

See accompanying notes to financial statements.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2006

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.

On August 18, 2005, the Minister of Health and Long-Term Care announced the intention to separate Women's College Hospital (WCH) from Sunnybrook & Women's College Health Sciences Centre, ending the merger of the hospitals that occurred in 1998. On March 9, 2006, SHSC and WCH announced that the two organizations had reached an agreement to separate the institutions effective April 1, 2006.

In conjunction with this separation, Sunnybrook & Women's College Health Sciences Centre Foundation (SWF), which was created in October 2002 from the merger of The Sunnybrook Foundation and the Orthopaedic & Arthritic Foundation and the unification of that entity with Women's College Health Trust (WCHT, formerly Women's College Hospital Foundation), entered into negotiations with WCHT to terminate the unification of the two entities, returning each of SWF and WCHT to raise, receive and manage funds on behalf of their respective hospitals. An agreement was reached effective March 31, 2006, ending the unification of SWF and WCHT, changing the name of SWF to Sunnybrook Health Sciences Centre Foundation (the Foundation) and WCHT to Women's College Hospital Foundation (WCHF), agreeing to transfer certain restricted purpose funds held by each party to the other, following their respective hospitals' post-March 31, 2006 responsibilities for patient care, teaching and research, and entering into a services agreement, effective April 1, 2006, whereby the Foundation will provide certain fundraising support services to WCHF until such time as WCHF is able to function without the services of the Foundation.

Prior to March 31, 2006 the exchange of restricted purposed funds between the Foundation and WCHF occurred as follows: \$3,118,269 was transferred from the Foundation to WCHF, and \$2,574,419 was transferred from WCHF to the Foundation, for a net transfer of \$543,850 from the Foundation to WCHF. This amount is reflected in net funds transfer to WCHF.

Subsequent to the year-end, upon final reconciliation of endowment and restricted purpose fund balances held as at March 31, 2006, the Foundation transferred \$46,179 to WCHF and WCHF transferred \$380,742 to the Foundation, for a net transfer of \$334,563 from WCHF to the Foundation. This amount is reflected in due from WCHF and in note 5(a).

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2006

2 Summary of significant accounting policies

Basis of presentation

The financial statements of the Foundation have been prepared by management in accordance with Canadian generally accepted accounting principles, which required 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 period reported. Actual results may 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 a transfer from the Restricted Fund of an allocation against restricted purpose gifts made on or after April 1, 2005, in accordance with Foundation Board policy. The allocation rate is a blended rate, based on cumulative lifetime giving of a donor, made on or after April 1, 2005. The allocation rates are:

Lifetime giving - portion of pledge	Allocation %
Up to \$2,499,999	12.500
\$2,500,000,000 to \$4,999,999	6.250
\$5,000,000 to \$7,499,999	3.125
7,500,000 to \$9,999,999	1.500
Over \$10,000,000	no allocation

The allocation was put in place to ensure that donors of both unrestricted and restricted funds contributed to the operations of the Foundation. The Unrestricted Fund is used to support Foundation operations and make grants to the Hospital for the highest priority needs of the institution.

- The Restricted Fund reflects those resources arising from fundraising, investing, granting and administrative activities, the purpose for which has been internally or externally restricted.
- Operating funds are externally restricted resources and include investment income (loss) generated on restricted operating and endowment fund balances.
- Endowment funds are internally and externally restricted resources that may include an internal or external requirement that the principal must be maintained. Investment income (loss) generated on endowment funds is recorded as revenue (expense) within the restricted operating funds. Endowment donations may be initially reflected in the restricted operating fund and then recognized in the endowment fund once all future obligations associated with such donations are reasonably determined.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2006

Revenues and expenditures

Donations are recognized as revenues when received, except for bequest donations, which are recognized as revenue when the amounts to be received are determinable and the timing of collection is reasonably assured. 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.

The Foundation formally commenced a capital campaign (the Campaign) in April 2004, with campaign planning activity beginning 18 months earlier. Recognition of revenue received pursuant to the Campaign is consistent with the policies described above. Certain costs to fund campaign planning and start-up expenses, which were deducted from restricted Campaign revenues received, are expected to be recovered over the life of the Campaign from future donations. The balance still to be recovered at March 31, 2006 was \$1,354,049.

Community and special event programs are recorded in the combined statement of operations and changes in fund balances on revenues net of expenditures basis. Gross revenues and expenditures are set out in note 9.

Investment income (loss) earned is allocated among unrestricted and restricted operating funds according to the balance of funds invested or the stipulations of individual donors. Distribution income (loss) from pooled funds is recorded when received.

Actual costs of generating restricted-purpose annual fund gifts are shown as restricted fund expenses in the financial statements and are netted against the restricted revenue raised.

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.

Investments

Investments are recorded at quoted market values. The market values of the units in pooled funds are based on the quoted market values of the securities held by the funds and are provided by the administrator of the pooled funds. Certain investments are part of a private common investment pool, the owners of which are the Foundation, the Hospital, Women's College Hospital Foundation (WCHF), Women's College Hospital, and Women's College Health Research.

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

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2006

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 disclosed in the notes to the financial statements and are recorded as donations when received.

Employee future benefits

On April 1, 2004, with respect to medical and dental benefits receivable by employees upon retirement, the Foundation adopted the Canadian generally accepted accounting principles for employee future benefits using the prospective application method. The Foundation is amortizing the transitional obligation on a straight-line basis over 15 years, which was the average remaining service period of employees expected to receive benefits under the benefit plan as at April 1, 2004.

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.

3 Investments

The Foundation's mutual fund investments and pro rata share of private investment pools, calculated on a unit basis, are as follows:

	2006 \$	2005 \$
Cash and short-term deposits		
Bonds	495,650	151,238
Canadian equities	13,937	12,026
Pooled funds	4,072,947	2,928,665
U.S. equity	1,851,494	1,661,944
International equity	1,998,194	1,381,644
Fixed income	5,311,599	4,164,030
Aggregate market value	<u>13,743,821</u>	<u>10,299,547</u>
Aggregate cost	<u>12,661,686</u>	<u>10,096,445</u>

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2006

4 Property, plant and equipment

	2006		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and equipment	420,722	206,511	214,211
Computer hardware	353,206	296,592	56,614
Computer software	102,069	87,332	14,737
	<u>875,997</u>	<u>590,435</u>	<u>285,562</u>
	2005		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and equipment	231,556	169,404	62,152
Computer hardware	325,874	251,344	74,530
Computer software	102,069	73,114	28,955
	<u>659,499</u>	<u>493,862</u>	<u>165,637</u>

During the year, the Foundation purchased property, plant and equipment of \$216,498 (2005 - \$81,014).

5 Related party transactions

- a) The Foundation received grants from WCHF, which are disbursed to the Hospital in the period they are received. Grants received from WCHF and distributed to the Hospital for the year ended March 31, 2006 amounted to \$3,043,035 (2005 - \$3,871,795).

The Foundation paid expenses on behalf of and provided management services to WCHF. For the year ended March 31, 2006, the Foundation charged \$100,000 (2005 - \$100,000) for management services and \$39,669 (2005 - \$16,709) for expenses to the Trust. At year-end, management services and expenses due from WCHF to the Foundation were \$63,419 (2005 - \$25,697). An additional \$334,563 was due (2005 - \$nil) as disclosed in note 1, representing the net transfer due from WCHF to the Foundation to reflect the transfer of restricted purpose funds consistent with the transfer of programs between the affiliated hospitals.

The Foundation periodically receives donations on behalf of WCHF, which it reimbursed to WCHF in the period they were received. For the year ended March 31, 2006, donations received on behalf of WCHF amounted to \$47,794 (2005 - \$55,250). These amounts have been excluded from the revenues of the Foundation.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2006

- b) 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 \$3,209,972 (2005 - \$3,706,302). Advances from the Hospital are non-interest bearing and due on demand. At March 31, 2006, the Foundation owed the Hospital \$252,935 (2005 - \$646,152).

The Hospital periodically receives donations on behalf of the Foundation, which it reimburses to the Foundation in the period they are received. For the year ended March 31, 2006, donations received by the Hospital on behalf of the Foundation amounted to \$nil (2005 - \$652,690). These amounts have been included in the revenues of the Foundation.

- c) The Foundation pays the expenses of Sunnybrook Hospital Crown Foundation (SHCF) and is reimbursed periodically. The receivable from SHCF is non-interest bearing and due on demand.
- d) Donations received from current, former and honorary members of the Boards of Directors and Governing Council amounted to \$410,282 (2005 - \$695,502).
- e) Programs and departments in the Hospital receive various funds from a variety of sources, which they periodically transfer to the Foundation to support endowed funds benefiting the programs and/or departments. An amount of \$303,996 (2005 - \$nil) was transferred from the Toronto Sunnybrook Regional Cancer Centre to the Foundation to augment the endowed Chair in Surgical Oncology, held at the Foundation.

6 Investment income

	2006 \$	2005 \$
Interest income	419,366	271,440
Distributions from pooled funds	484,611	292,263
Total realized investment income	903,977	563,703
Change in unrealized capital gains	879,033	319,774
Net investment income	1,783,010	883,477

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2006

7 Restricted funds

	2006			2005
	Operating \$	Endowment \$	Total \$	Total \$
Revenues				
Donations	16,989,951	1,148,710	18,138,661	16,242,146
Investment income	1,445,758	-	1,445,758	687,804
	18,435,709	1,148,710	19,584,419	16,929,950
Expenditures				
Distributions	208,907	18,206	227,113	1,163,239
	9,840,806	-	9,840,806	13,576,518
	8,385,996	1,130,504	9,516,500	2,190,193
Fund balances - Beginning of year	14,455,013	6,568,023	21,023,036	18,730,772
Interfund transfers*	(1,205,721)	32,968	(1,172,753)	-
Other transfers**	(1,092,912)	853,058	(239,854)	102,071
Fund balances - End of year	20,542,376	8,584,553	29,126,929	21,023,036

* Interfund transfers comprise:

- \$1,192,753 representing the allocation (described in note 2) of eligible restricted donations received in the year transferred from the Restricted Operating fund to the Unrestricted Operating fund.
- \$20,000 representing funds transferred to allocate donations received from the Restricted Operating fund to the Endowment fund, and from the Unrestricted fund to the Restricted Operating fund.

** Other transfers comprise:

- \$543,850 transferred to WCHF (see notes 1 and 5(a)).
- \$303,996 transferred from the Hospital.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2006

8 Distributions

Distributions made during the year to the Hospital were as follows:

	2006 \$	2005 \$
Capital projects	2,801,556	3,648,240
Research operating grants	6,981,901	9,890,000
Other projects	57,349	38,278
	<u>9,840,806</u>	<u>13,576,518</u>

Included in distributions are grants in the amount of \$3,043,035 (2005 - \$3,871,795) that were originally received from WCHF (see note 5(a)).

9 Community and special events programs

Included in donations revenues are the following net revenues with respect to community and special events programs:

	<u>2006</u>		<u>2005</u>	
	Unrestricted \$	Restricted \$	Total \$	Total \$
Revenues				
Individuals	48,325	675,385	723,710	2,235,080
Corporations	121,405	2,101,639	2,223,044	3,363,480
Foundations	3,500	105,126	108,626	172,964
	<u>173,230</u>	<u>2,882,150</u>	<u>3,055,380</u>	<u>5,771,524</u>
Direct expenditures	70,424	626,665	697,089	1,852,077
	<u>102,806</u>	<u>2,255,485</u>	<u>2,358,291</u>	<u>3,919,447</u>

10 Employee benefits

Employees of the Foundation participate in the Hospitals 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, 2006, the Foundation contributed \$237,081 (2005 - \$245,716).

Employees of the Foundation are also entitled to certain medical and dental benefits upon 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, 2006, the Foundation's accrued benefit obligation with respect to these benefits is \$33,600 (2005 - \$33,700), of which \$26,500 (2005 - \$28,500), representing the unamortized portion of the accrued benefit obligation at April 1, 2004, will be recognized over future periods. The current year cost of \$5,600 (2005 - \$3,200) has been recognized in the financial statements.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2006

The following disclosure has been made in accordance with the requirements of Canadian generally accepted accounting principles.

	\$
Transitional obligation as at April 1, 2005	28,500
Less: Amortization of transitional obligation	<u>(2,000)</u>
Transitional obligation as at March 31, 2006	<u>26,500</u>
Accrual for services in the year	2,300
Interest on accrued benefits	1,700
Actuarial gains/losses during the year	<u>1,600</u>
Total current year cost	5,600
Amortization of transitional obligation	2,000
Adjustment for experience gains for the year	<u>(1,900)</u>
Total accrued benefit liability	5,700
Total accrued benefit as at March 31, 2005	<u>5,200</u>
Total accrued benefit as at March 31, 2006	10,900
Add: Transitional obligation as at March 31, 2006	26,500
Add: Experience losses	<u>(3,800)</u>
Accrued benefit obligation as at March 31, 2006	<u>33,600</u>

The total accrued benefit as at March 31, 2006 is included in accrued liabilities. The next actuarial valuation will be completed as at April 1, 2006.

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

Discount rate	5.75%
Dental benefit escalation	4.0%
Medical benefits cost escalation - extended health care	10.5% in 2006 decreasing by 1% per annum to an ultimate rate of 4.5% in 2012 and thereafter

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2006

11 Pledges

The Foundation has outstanding pledges at March 31, 2006, which will be recorded as donation revenue as the cash is received. They are summarized below:

	\$
2006	1,078,412
2007	2,734,404
2008	2,582,657
2009	2,051,963
Thereafter	<u>26,337,369</u>
	<u>34,784,805</u>

The above pledges are net of allowances totalling \$755,904.