

**Sunnybrook Health Sciences  
Centre Foundation**

Financial Statements  
March 31, 2007

July 4, 2007

## 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, 2007 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, 2007 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, Licensed Public Accountants

# Sunnybrook Health Sciences Centre Foundation

## Statement of Financial Position

As at March 31, 2007

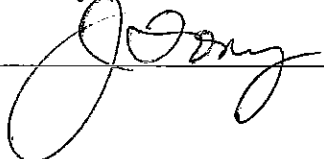
			2007	2006
	Unrestricted \$	Restricted \$	Total \$	Total \$
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	4,869,873	23,960,169	28,830,042	15,930,390
Amounts receivable	221,517	-	221,517	86,023
Due from SHCF**	1,596	-	1,596	231,289
Prepaid expenses	141,791	-	141,791	192,728
Due from Women's College Hospital Foundation (note 5(a))	21,431	-	21,431	397,982
	5,256,208	23,960,169	29,216,377	16,838,412
<b>Long-term investments - at market (note 3)</b>	15,996	56,102,366	56,118,362	13,743,821
<b>Property, plant and equipment (note 4)</b>	203,517	-	203,517	285,562
	5,475,721	80,062,535	85,538,256	30,867,795
<b>Liabilities</b>				
<b>Current liabilities</b>				
Amounts payable and accrued liabilities	1,351,790	-	1,351,790	701,314
Deferred revenue	663,561	-	663,561	121,497
Due to SHSC* (note 5(b))	233,452	-	233,452	252,935
	2,248,803	-	2,248,803	1,075,746
<b>Fund Balances</b>	3,226,918	80,062,535	83,289,453	29,792,049
	5,475,721	80,062,535	85,538,256	30,867,795

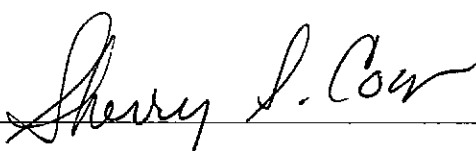
\* Sunnybrook Health Sciences Centre

\*\* 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, 2007

	2007			2006
	Unrestricted \$	Restricted \$ (note 7)	Total \$	Total \$
<b>Revenues</b>				
Donations (note 9)				
Individuals	5,672,056	19,617,296	25,289,352	12,438,342
Corporations	230,565	4,810,126	5,040,691	5,041,518
Foundations	205,331	4,401,355	4,606,686	2,770,661
Women's College Hospital Foundation (note 5(a))	-	-	-	3,043,035
	6,107,952	28,828,777	34,936,729	23,293,556
Investment income (note 6)	909,291	2,067,536	2,976,827	1,783,010
Contribution from SHSC (note 5(f))	-	33,450,609	33,450,609	303,996
	7,017,243	64,346,922	71,364,165	25,380,562
<b>Expenditures</b>				
Salaries and benefits	3,155,898	20,964	3,176,862	3,381,680
Fundraising	1,559,130	100,897	1,660,027	1,646,560
Administration	595,903	-	595,903	571,525
Amortization	105,071	-	105,071	96,573
	5,416,002	121,861	5,537,863	5,696,338
<b>Excess of revenues over expenditures before distributions</b>	1,601,241	64,225,061	65,826,302	19,684,224
<b>Distributions</b> (notes 5(a) and 8)	12,844	12,075,069	12,087,913	9,840,806
<b>Excess of revenues over expenditures for the year</b>	1,588,397	52,149,992	53,738,389	9,843,418
<b>Fund balances - Beginning of year</b>	665,120	29,126,929	29,792,049	20,492,481
<b>Interfund transfers</b> (note 7)	974,026	(974,026)	-	-
<b>Funds transfer</b> (note 7)	(625)	(240,360)	(240,985)	(543,850)
<b>Fund balances - End of year</b>	3,226,918	80,062,535	83,289,453	29,792,049

See accompanying notes to financial statements.

# Sunnybrook Health Sciences Centre Foundation

## Statement of Cash Flows

For the year ended March 31, 2007

	2007 \$	2006 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenditures for the year	53,738,389	9,843,418
Items not affecting cash		
Amortization	105,071	96,573
Unrealized gain on long-term investments	(911,962)	(879,033)
Change in non-cash working capital items		
Amounts receivable	(135,494)	441,384
Prepaid expenses	50,937	295,993
Due from Women's College Hospital Foundation	376,551	(372,285)
Amounts payable and accrued liabilities	650,476	446,794
Deferred revenue	542,064	(946,903)
Due to SHSC*	(19,483)	(393,217)
Due from SHCF**	229,693	(227,666)
	<u>54,626,242</u>	<u>8,305,058</u>
<b>Investing activities</b>		
Net increase in long-term investments	(41,462,579)	(2,565,241)
Funds transfer to Women's College Hospital Foundation (note 1)	(373,885)	(543,850)
Purchase of property, plant and equipment	(23,026)	(216,498)
Funds transfer from Hospital (note 5(e))	132,900	-
	<u>(41,726,590)</u>	<u>(3,325,589)</u>
<b>Increase in cash and cash equivalents during the year</b>	12,899,652	4,979,469
<b>Cash and cash equivalents - Beginning of year</b>	15,930,390	10,950,921
<b>Cash and cash equivalents - End of year</b>	<u>28,830,042</u>	<u>15,930,390</u>
<b>Components of cash and cash equivalents</b>		
Cash	1,899,056	3,428,095
Cash equivalents	26,930,986	12,502,295
	<u>28,830,042</u>	<u>15,930,390</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, 2007

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## 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 of separating 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 its respective hospital. 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 agreed to provide certain fundraising support services to WCHF until such time as WCHF was able to function without the services of the Foundation. The support services were terminated in May 2007 following completion of processing to March 31, 2007.

Prior to March 31, 2007, a final transfer of funds to Women's College Hospital Foundation from the Foundation of \$373,885 (2006 - \$543,850) occurred. This amount is reflected in fund transfers.

## 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.

# Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2007

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## 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 prescribed rates. 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 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. The restricted fund has two primary components.
  - Restricted operating funds are externally restricted resources and include the undistributed balance of the expendable portion of 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 endowment fund once all future obligations associated with such donations are reasonably determined. Once determined, the annual distributable amount of endowment funds 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.

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 initially expensed, are expected to be recovered over the life of the Campaign through an allocation through future donations. The balance still to be recovered at March 31, 2007 was \$754,049.

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

# Sunnybrook Health Sciences Centre Foundation

## Notes to Financial Statements

March 31, 2007

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Investment income (loss) earned on endowment funds is allocated to the endowment funds. All other investment income (loss) is applied to the unrestricted fund. Distribution income (loss) from pooled funds is recorded when received.

Direct 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.

### **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

### **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.



# Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2007

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 investments are as follows:

	2007 \$	2006 \$
Cash and short-term deposits	2,652,660	495,650
Bonds	15,996	13,937
Canadian equities	15,547,842	4,072,947
Pooled funds		
U.S. equity	12,494,481	1,851,494
International equity	3,257,960	1,998,194
Fixed income	22,149,423	5,311,599
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Aggregate market value	56,118,362	13,743,821
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Aggregate cost	46,551,521	12,661,686

## 4 Property, plant and equipment

	<hr/> <b>2007</b> <hr/>		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and equipment	424,071	262,696	161,375
Computer hardware	372,883	334,554	38,329
Computer software	102,069	98,256	3,813
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	899,023	695,506	203,517
	<hr/>	<hr/>	<hr/>
	<hr/> <b>2006</b> <hr/>		
	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
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	875,997	590,435	285,562
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# Sunnybrook Health Sciences Centre Foundation

## Notes to Financial Statements

March 31, 2007

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During the year, the Foundation purchased property, plant and equipment of \$23,026 (2006 - \$216,498).

### 5 Related party transactions

- a) The Foundation, in past years, has 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, 2007 amounted to \$nil (2006 - \$3,043,035).

The Foundation paid expenses on behalf of and provided management services to WCHF. For the year ended March 31, 2007, the Foundation charged \$82,978 (2006 - \$100,000) for management services and \$9,821 (2006 - \$39,669) for expenses to the Trust. At year-end, management services and expenses due from WCHF to the Foundation were \$21,431 (2006 - \$63,419). In the prior year \$334,563 was due, 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 received donations on behalf of WCHF, which it reimbursed to WCHF in the period they were received. For the year ended March 31, 2007, donations received on behalf of WCHF amounted to \$nil (2006 - \$47,794). These amounts have been excluded from the revenues of the Foundation.

- 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 \$3,241,692 (2006 - \$3,209,972). Advances from the Hospital are non-interest bearing and due on demand. At March 31, 2007, the Foundation owed the Hospital \$233,452 (2006 - \$252,935).
- 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 \$1,943,617 (2006 - \$410,282).
- 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 \$132,900 was transferred from the Hospital to the Foundation augmenting the Fellowship in Neurosciences.
- f) Pursuant to an agreement in February 2007 designed to simplify operations by housing all endowment funds within the Foundation, the Hospital contributed to the Foundation an amount of \$33,450,609, representing the balance of the Norman Bell Research Trust. In 2006, an amount of \$303,996 was transferred from the Toronto Sunnybrook Regional Cancer Centre to the Foundation to augment the endowed Chair in Surgical Oncology, held at the Foundation.

# Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2007

## 6 Investment income

	2007 \$	2006 \$
Interest income	1,088,905	419,366
Distributions from pooled funds	975,960	484,611
Total realized investment income	2,064,865	903,977
Increase in market value	911,962	879,033
Net investment income	2,976,827	1,783,010

## 7 Restricted funds

	2007		
	Operating \$	Endowment \$	Total \$
Revenues			
Donations	19,751,457	9,077,320	28,828,777
Investment income	715,149	1,352,387	2,067,536
Contribution from Hospital (note 5(f))	-	33,450,609	33,450,609
Expenditures	20,466,606	43,880,316	64,346,922
Distributions	(121,861)	-	(121,861)
	(12,075,069)	-	(12,075,069)
Fund balances - Beginning of year (i)	8,269,676	43,880,316	52,149,992
Transfer of expendable portion of endowments	19,793,362	9,333,567	29,126,929
Interfund transfers (ii)	1,954,237	(1,954,237)	-
Other transfers (iii)	(3,026,419)	2,052,393	(974,026)
	(240,360)	-	(240,360)
Fund balances - End of year	26,750,496	53,312,039	80,062,535

# Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2007

	2006		
	Operating \$	Endowment \$	Total \$
Revenues			
Donations	16,989,951	1,148,710	18,138,661
Investment income	648,493	797,265	1,445,758
Contribution from Hospital (note 5(d))	-	303,996	303,996
	17,638,444	2,249,971	19,888,415
Expenditures	(208,907)	(18,206)	(227,113)
Distributions	(9,840,806)	-	(9,840,806)
	7,588,731	2,231,765	9,820,496
Fund balances - Beginning of year (i)	14,455,013	6,568,023	21,023,036
Transfer of expendable portion of endowments	48,251	(48,251)	-
Interfund transfers (ii)	(1,205,721)	32,968	(1,172,753)
Other transfers (iii)	(1,092,912)	549,062	(543,850)
Fund balances - End of year	19,793,362	9,333,567	29,126,929

- i) The opening balances have been restated to conform with the presentation adopted for 2007, wherein the investment earnings on endowment funds for 2006 have been directly allocated to endowment funds in 2006 and not by way of transfer from restricted operating funds in the subsequent year.
- ii) Interfund transfers comprise:
- \$1,643,186 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.
  - \$1,383,283 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.
- iii) Other transfers comprise:
- \$373,260 (2006 - \$543,850) transferred to WCHF
  - \$132,900 transferred from the Hospital.

# Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2007

## 8 Distributions

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

	2007 \$	2006 \$
Capital projects	1,594,166	2,801,556
Research operating grants	10,111,465	6,981,901
Other projects	382,282	57,349
	<u>12,087,913</u>	<u>9,840,806</u>

Included in distributions are grants in the amount of \$nil (2006 - \$3,043,035) 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>2007</u>		<u>2006</u>	
	Unrestricted \$	Restricted \$	Total \$	Total \$
Revenues				
Individuals	1,000	809,578	810,578	723,710
Corporations	-	1,848,438	1,848,438	2,223,044
Foundations	-	150,380	150,380	108,626
	<u>1,000</u>	<u>2,808,396</u>	<u>2,809,396</u>	<u>3,055,380</u>
Direct expenditures	-	975,842	975,842	697,089
	<u>1,000</u>	<u>1,832,554</u>	<u>1,833,554</u>	<u>2,358,291</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, 2007, the Foundation contributed \$222,249 (2006 - \$237,081).

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, 2007, the Foundation's accrued benefit obligation with respect to these benefits is \$38,100 (2006 - \$33,600), of which \$24,500 (2006 - \$26,500), representing the unamortized portion of the accrued benefit obligation at April 1, 2004, will be recognized over future periods. The current year's cost of \$4,500 (2006 - \$5,600) has been recognized in the financial statements.

# Sunnybrook Health Sciences Centre Foundation

## Notes to Financial Statements

March 31, 2007

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

	\$
Transitional obligation as at April 1, 2006	26,500
Less: Amortization of transitional obligation	<u>(2,000)</u>
Transitional obligation as at March 31, 2007	<u>24,500</u>
Accrual for services in the year	2,600
Interest on accrued benefits	1,900
Actuarial gains/losses during the year	<u>-</u>
Total current year's cost	4,500
Amortization of transitional obligation	2,000
Adjustment for experience gains for the year	<u>(200)</u>
Total accrued benefit liability	6,300
Total accrued benefit as at March 31, 2006	<u>10,900</u>
Total accrued benefit as at March 31, 2007	17,200
Add: Transitional obligation as at March 31, 2007	24,500
Add: Experience losses	<u>(3,600)</u>
Accrued benefit obligation as at March 31, 2007	<u>38,100</u>

The total accrued benefit as at March 31, 2007 is included in accrued liabilities. The next actuarial valuation will be completed as at April 1, 2008.

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

Discount rate	5.25%
Dental benefit escalation	4.0%
Medical benefits cost escalation - extended health care	9.5% in 2007 decreasing by 1% per annum to an ultimate rate of 4.5% in 2012 and thereafter

### 11 Subsequent event

On June 14, 2007, an application for the dissolution of the Sunnybrook Hospital Crown Foundation was filed with the Ministry of Health and Long-Term Care. Once approved, the remaining unrestricted fund balance of approximately \$800,000 will be transferred to the Foundation.

# **Sunnybrook Health Sciences Centre Foundation**

Notes to Financial Statements

**March 31, 2007**

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## **12 Comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.