

**Sunnybrook Health Sciences
Centre Foundation**

Financial Statements
March 31, 2008

June 16, 2008

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, 2008 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, 2008 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, 2008

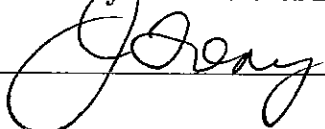
	2008			2007		
	Unrestricted \$	Restricted \$	Total \$	Unrestricted \$	Restricted \$	Total \$
Assets						
Current assets						
Cash and cash equivalents	3,064,964	13,089,647	16,154,611	4,869,873	23,960,169	28,830,042
Amounts receivable	716,482	-	716,482	221,517	-	221,517
Due from SHCF**	-	-	-	1,596	-	1,596
Prepaid expenses	790,271	-	790,271	141,791	-	141,791
Due from Women's College Hospital Foundation (note 6(a))	-	-	-	21,431	-	21,431
	4,571,717	13,089,647	17,661,364	5,256,208	23,960,169	29,216,377
Long-term investments (note 4)	8,446	70,917,117	70,925,563	15,996	56,102,366	56,118,362
Property, plant and equipment (note 5)	182,368	-	182,368	203,517	-	203,517
	4,762,531	84,006,764	88,769,295	5,475,721	80,062,535	85,538,256
Liabilities						
Current liabilities						
Amounts payable and accrued liabilities	429,187	-	429,187	1,351,790	-	1,351,790
Deferred revenue	179,143	-	179,143	663,561	-	663,561
Due to SHSC* (note 6(b))	353,964	-	353,964	233,452	-	233,452
	962,294	-	962,294	2,248,803	-	2,248,803
Fund Balances	3,800,237	84,006,764	87,807,001	3,226,918	80,062,535	83,289,453
	4,762,531	84,006,764	88,769,295	5,475,721	80,062,535	85,538,256

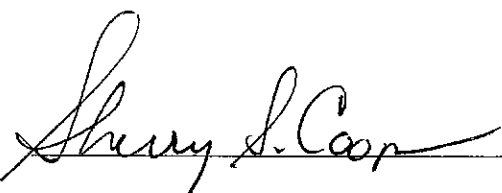
* Sunnybrook Health Sciences Centre

** 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, 2008

	2008			2007		
	Unrestricted \$	Restricted \$	Total \$	Unrestricted \$	Restricted \$	Total \$
Revenues						
Donations (note 10)						
Individuals	3,752,381	14,134,717	17,887,098	5,672,056	19,617,296	25,289,352
Corporations	101,044	16,974,053	17,075,097	230,565	4,810,126	5,040,691
Foundations	248,676	4,009,091	4,257,767	205,331	4,401,355	4,606,686
	4,102,101	35,117,861	39,219,962	6,107,952	28,828,777	34,936,729
Investment (loss) income (note 7)	778,307	(1,827,674)	(1,049,367)	909,291	2,067,536	2,976,827
Contribution from SHSC (note 6(e))	-	-	-	-	33,450,609	33,450,609
	4,880,408	33,290,187	38,170,595	7,017,243	64,346,922	71,364,165
Expenditures						
Salaries and benefits	3,729,125	-	3,729,125	3,155,898	20,964	3,176,862
Fundraising	2,249,926	-	2,249,926	1,559,130	100,897	1,660,027
Administration	828,485	39,766	868,251	595,903	-	595,903
Amortization	91,636	-	91,636	105,071	-	105,071
	6,899,172	39,766	6,938,938	5,416,002	121,861	5,537,863
Excess of revenues over expenditures before distributions	(2,018,764)	33,250,421	31,231,657	1,601,241	64,225,061	65,826,302
Distributions (note 9)	10,375	26,799,898	26,810,273	12,844	12,075,069	12,087,913
Excess of revenues over expenditures for the year	(2,029,139)	6,450,523	4,421,384	1,588,397	52,149,992	53,738,389
Fund balances - Beginning of year	3,226,918	80,062,535	83,289,453	665,120	29,126,929	29,792,049
Interfund transfers (note 8)	2,602,458	(2,602,458)	-	974,026	(974,026)	-
Fund transfers (note 8)	-	96,164	96,164	(625)	(240,360)	(240,985)
Fund balances - End of year	3,800,237	84,006,764	87,807,001	3,226,918	80,062,535	83,289,453

See accompanying notes to financial statements.

Sunnybrook Health Sciences Centre Foundation

Statement of Cash Flows

For the year ended March 31, 2008

	2008 \$	2007 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenditures for the year	4,421,384	53,738,389
Items not affecting cash		
Amortization	91,636	105,071
Unrealized loss (gain) on long-term investments	13,026,063	(911,962)
Change in non-cash working capital items		
Amounts receivable	(494,965)	(135,494)
Prepaid expenses	(648,480)	50,937
Due from Women's College Hospital Foundation	21,431	376,551
Amounts payable and accrued liabilities	(922,603)	650,476
Deferred revenue	(484,418)	542,064
Due to SHSC*	1,596	(19,483)
Due from SHCF**	120,512	229,693
	<u>15,132,156</u>	<u>54,626,242</u>
Investing activities		
Net increase in long-term investments	(27,833,264)	(41,462,579)
Fund transfers to Women's College Hospital Foundation (notes 1 and note 8)	48,262	(373,885)
Purchase of property, plant and equipment	(70,487)	(23,026)
Fund transfers from Hospital (note 6(d))	47,902	132,900
	<u>(27,807,587)</u>	<u>(41,726,590)</u>
Increase (decrease) in cash and cash equivalents during the year	(12,675,431)	12,899,652
Cash and cash equivalents - Beginning of year	<u>28,830,042</u>	<u>15,930,390</u>
Cash and cash equivalents - End of year	<u>16,154,611</u>	<u>28,830,042</u>
Components of cash and cash equivalents		
Cash	5,344,968	1,899,056
Cash equivalents	10,809,643	26,930,986
	<u>16,154,611</u>	<u>28,830,042</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, 2008

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 Summary of significant accounting policies

Change in accounting policy

On April 1, 2007, the Foundation adopted Section 3855, Financial Instruments - Recognition and Measurement, and Section 3861, Financial Instruments - Disclosure and Presentation, of The Canadian Institute of Chartered Accountants (CICA) Handbook. These standards require that all financial assets be classified as held-for-trading, available-for-sale, held-to-maturity or loans and receivables. In addition, the standards require that all financial assets be measured at fair value, with the exception of loans, receivables and investments intended to be, and classified as, held-to-maturity, which are required to be measured at amortized cost. Financial liabilities are classified either as held-for-trading, which are measured at fair value, or other liabilities, which are measured at amortized cost. Any adjustment to the Foundation's financial statements as a result of adopting Section 3855 is recognized by restating the balance of opening fund balances. Comparative periods are not permitted to be restated.

In accordance with these recommendations, the investment portfolio of the Foundation is designated as held-for-trading and is valued at fair market value. Changes in the value of the portfolio are reflected in the statement of operations. Previously, the investments were carried at market value, and the adoption of this new policy had no impact on the results.

Other receivables, amounts payable and accrued liabilities and due to Sunnybrook Health Sciences Centre, are designated as loans or receivables and are thus measured at amortized cost, which approximates their fair market value due to their short-term maturity.

Cash and cash equivalents are classified as held-for-trading and are recorded at fair value.

As the previous policy valued financial instruments at market value, the value of the financial instruments remained the same at the point of adopting the CICA standards on April 1, 2007.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2008

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 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 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.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2008

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, 2008 was \$754,049 (2007 - \$754,049).

Community and special event programs are recorded in the statement of operations and changes in fund balances on a revenues net of expenditures basis. Gross revenues and expenditures are set out in note 10.

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 recorded as donations when received.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2008

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 New accounting pronouncements

Adoption of Section 1506, Accounting Changes

On April 1, 2007, the Foundation adopted Section 1506, Accounting Changes, of The Canadian Institute of Chartered Accountants, (CICA) Handbook, which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and the correction of errors. This standard did not affect the Foundation's financial position or results of operations.

Recent Canadian accounting pronouncements issued and not yet adopted

- Section 1535, Capital Disclosures

The new Section 1535, Capital Disclosures, requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The new standard applies to financial statements relating to fiscal years beginning on or after October 1, 2007, specifically April 1, 2008 for the Foundation.

This standard will impact the disclosures provided by the Foundation but will not affect its financial position or results of operations.

- Sections 3862 and 3863, Financial Instruments - Disclosure and Presentation

The new Sections 3862 and 3863 replace CICA Handbook Section 3860, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standards apply to financial statements relating to fiscal years beginning on or after October 1, 2007, specifically April 1, 2008 for the Foundation.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2008

These standards will impact the disclosures provided by the Foundation but will not affect its financial position or results of operations.

4 Investments

The Foundation's investments are as follows:

	2008 \$	2007 \$
Cash and short-term deposits	2,915,697	2,652,660
Bonds	9,102,786	15,996
Canadian equities	17,342,232	15,547,842
Pooled funds		
US equity	7,816,549	12,494,481
International equity	8,817,656	3,257,960
Fixed income	24,930,643	22,149,423
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Aggregate fair value	70,925,563	56,118,362
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5 Property, plant and equipment

	2008		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and equipment	433,119	317,819	115,300
Computer hardware	253,707	197,750	55,957
Computer software	115,403	104,292	11,111
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	802,229	619,861	182,368
	<hr/>	<hr/>	<hr/>
	2007		
	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
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Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2008

6 Related party transactions

- a) The Foundation paid expenses on behalf of and provided management services to WCHF. For the year ended March 31, 2008, the Foundation charged \$nil (2007 - \$82,978) for management services and \$nil (2007 - \$9,821) for expenses to the Trust. At year-end, management services and expenses due from WCHF to the Foundation were \$nil (2007 - \$21,431).
- 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 \$3,609,625 (2007 - \$3,241,692). Advances from the Hospital are non-interest bearing and due on demand. At March 31, 2008, the Foundation owed the Hospital \$353,964 (2007 - \$233,452).
- c) Donations received from current, former and honorary members of the Boards of Directors and Governing Council amounted to \$2,000,301 (2007 - \$1,943,617).
- d) 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 \$47,902 (2007 - \$132,900) was transferred from the Hospital to the Foundation.
- e) 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.

7 Investment (loss) income

	2008	2007
	\$	\$
Interest income	667,591	1,088,905
Distributions from pooled funds	11,309,105	975,960
Total realized investment income	11,976,696	2,064,865
(Decrease) increase in market value	(13,026,063)	911,962
Net investment (loss) income	(1,049,367)	2,976,827

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2008

8 Restricted funds

	2008		
	Operating	Endowment	Total
	\$	\$	\$
Revenues			
Donations	32,485,955	2,631,906	35,117,861
Investment loss	(73,582)	(1,754,092)	(1,827,674)
	32,412,373	877,814	33,290,187
Expenditures	(39,766)	-	(39,766)
Distributions	(26,799,898)	-	(26,799,898)
	5,572,709	877,814	6,450,523
Fund balances - Beginning of year	26,750,496	53,312,039	80,062,535
Transfer of expendable portion of endowments	2,346,836	(2,346,836)	-
Interfund transfers (i)	(590,649)	(2,011,809)	(2,602,458)
Other transfers (ii)	-	96,164	96,164
Fund balances - End of year	34,079,392	49,927,372	84,006,764
	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 6(e))	-	33,450,609	33,450,609
	20,466,606	43,880,316	64,346,922
Expenditures	(121,861)	-	(121,861)
Distributions	(12,075,069)	-	(12,075,069)
	8,269,676	43,880,316	52,149,992
Fund balances - Beginning of year	19,793,362	9,333,567	29,126,929
Transfer of expendable portion of endowments	1,954,237	(1,954,237)	-
Interfund transfers (i)	(3,026,419)	2,052,393	(974,026)
Other transfers (ii)	(240,360)	-	(240,360)
Fund balances - End of year	26,750,496	53,312,039	80,062,535

i) Interfund transfers comprise:

- \$2,786,956 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.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2008

- \$184,498 representing net 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.

ii) Other transfers comprise:

- \$48,262 (2007 - \$373,260) transferred to WCHF; and
- \$47,902 transferred to the Hospital (2007 - \$132,900 transferred from the Hospital).

9 Distributions

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

	2008 \$	2007 \$
Capital projects	17,475,933	1,594,166
Research operating grants	7,686,940	10,111,465
Other projects	1,647,400	382,282
	<u>26,810,273</u>	<u>12,087,913</u>

10 Community and special events programs

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

	<u>2008</u>			<u>2007</u>
	Unrestricted \$	Restricted \$	Total \$	Total \$
Revenues				
Individuals	700	2,457,898	2,458,598	810,578
Corporations	11,191	4,729,788	4,740,979	1,848,438
Foundations	5,000	240,874	245,874	150,380
Direct expenditures	16,891	7,428,560	7,445,451	2,809,396
	10,002	4,632,967	4,642,969	975,842
	<u>6,889</u>	<u>2,795,593</u>	<u>2,802,482</u>	<u>1,833,554</u>

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2008

11 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, 2008, the Foundation contributed \$245,645 (2007 - \$222,249).

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, 2008, the Foundation's accrued benefit obligation with respect to these benefits is \$36,000 (2007 - \$38,100), of which \$22,500 (2007 - \$24,500), representing the unamortized portion of the accrued benefit obligation at April 1, 2004, will be recognized over future periods. The current year's benefit of \$2,100 (2007 - cost of \$4,500) has been recognized in the financial statements.

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

	\$
Transitional obligation as at April 1, 2007	24,500
Less: Amortization of transitional obligation	<u>(2,000)</u>
Transitional obligation as at March 31, 2008	<u>22,500</u>
Accrual for services in the year	2,700
Interest on accrued benefits	2,100
Actuarial gains/losses during the year	<u>(6,900)</u>
Total current year's cost	(2,100)
Amortization of transitional obligation	2,000
Adjustment for experience gains for the year	<u>6,700</u>
Total accrued benefit liability	6,600
Total accrued benefit as at March 31, 2007	<u>17,200</u>
Total accrued benefit as at March 31, 2008	23,800
Add: Transitional obligation as at March 31, 2008	22,500
Add: Experience gains	<u>(10,300)</u>
Accrued benefit obligation as at March 31, 2008	<u>36,000</u>

The total accrued benefit as at March 31, 2008 is included in accrued liabilities. The next actuarial valuation will be completed as at April 1, 2009.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2008

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

Discount rate	6.00%
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

12 Subsequent event

The Foundation has received approval of its June 14, 2007 application to the Ministry of Health and Long-Term Care for the dissolution of the Sunnybrook Hospital Crown Foundation.