

Sunnybrook Health Sciences Centre Foundation

Financial Statements
March 31, 2009

June 8, 2009

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, 2009 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, 2009 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, 2009

	2009			2008		
	Unrestricted \$	Restricted \$	Total \$	Unrestricted \$	Restricted \$	Total \$
Assets						
Current assets						
Cash and cash equivalents	4,297,931	9,234,455	13,532,386	4,010,600	12,144,011	16,154,611
Amounts receivable	62,637	118,415	181,052	207,482	509,000	716,482
Prepaid expenses	274,912	1,453,652	1,728,564	174,492	615,779	790,271
	4,635,480	10,806,522	15,442,002	4,392,574	13,268,790	17,661,364
Long-term investments (note 4)	12,192	69,226,884	69,239,076	8,446	70,917,117	70,925,563
Property, plant and equipment (note 5)	183,592	-	183,592	182,368	-	182,368
	4,831,264	80,033,406	84,864,670	4,583,388	84,185,907	88,769,295
Liabilities						
Current liabilities						
Amounts payable and accrued liabilities	497,840	84,715	582,555	429,187	-	429,187
Deferred revenue	-	399,961	399,961	-	179,143	179,143
Due to SHSC* (note 6(a))	437,696	-	437,696	353,964	-	353,964
	935,536	484,676	1,420,212	783,151	179,143	962,294
Fund Balances	3,895,728	79,548,730	83,444,458	3,800,237	84,006,764	87,807,001
	4,831,264	80,033,406	84,864,670	4,583,388	84,185,907	88,769,295

* Sunnybrook Health Sciences Centre

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, 2009

	2009			2008		
	Unrestricted \$	Restricted \$	Total \$	Unrestricted \$	Restricted \$	Total \$
Revenues						
Donations (note 10)						
Individuals	4,023,340	12,274,058	16,297,398	3,752,381	14,134,717	17,887,098
Corporations	334,915	15,961,443	16,296,358	101,044	16,974,053	17,075,097
Foundations	183,466	7,073,663	7,257,129	248,676	4,009,091	4,257,767
	4,541,721	35,309,164	39,850,885	4,102,101	35,117,861	39,219,962
Investment (loss) income (note 7)	528,968	(8,697,026)	(8,168,058)	778,307	(1,827,674)	(1,049,367)
	5,070,689	26,612,138	31,682,827	4,880,408	33,290,187	38,170,595
Expenditures						
Salaries and benefits	4,865,852	-	4,865,852	3,729,125	-	3,729,125
Fundraising	2,160,129	-	2,160,129	2,249,926	-	2,249,926
Administration	883,734	-	883,734	828,485	39,766	868,251
Amortization	91,693	-	91,693	91,636	-	91,636
	8,001,408	-	8,001,408	6,899,172	39,766	6,938,938
Excess (deficiency) of revenues over expenditures before distributions	(2,930,719)	26,612,138	23,681,419	(2,018,764)	33,250,421	31,231,657
Distributions (note 9)	(9,537)	(28,871,334)	(28,880,871)	(10,375)	(26,799,898)	(26,810,273)
Excess (deficiency) of revenues over expenditures for the year	(2,940,256)	(2,259,196)	(5,199,452)	(2,029,139)	6,450,523	4,421,384
Fund balances - Beginning of year	3,800,237	84,006,764	87,807,001	3,226,918	80,062,535	83,289,453
Interfund transfers (note 8)	2,952,885	(2,952,885)	-	2,602,458	(2,602,458)	-
Fund transfers (note 8)	82,862	754,047	836,909	-	96,164	96,164
Fund balances - End of year	3,895,728	79,548,730	83,444,458	3,800,237	84,006,764	87,807,001

See accompanying notes to financial statements.

Sunnybrook Health Sciences Centre Foundation

Statement of Cash Flows

For the year ended March 31, 2009

	2009 \$	2008 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenditures for the year	(5,199,452)	4,421,384
Items not affecting cash		
Amortization	91,693	91,636
Unrealized loss on long-term investments (note 7)	10,927,619	13,026,063
Change in non-cash working capital items		
Amounts receivable	535,430	(494,965)
Prepaid expenses	(938,293)	(648,480)
Due from Women's College Hospital Foundation	-	21,431
Amounts payable and accrued liabilities	153,368	(922,603)
Deferred revenue	220,818	(484,418)
Due to SHCF*	-	1,596
Due from SHSC**	83,732	120,512
	<u>5,874,915</u>	<u>15,132,156</u>
Investing activities		
Net increase in long-term investments	(9,241,132)	(27,833,264)
Fund transfers from Women's College Hospital Foundation (note 8)	-	48,262
Purchase of property, plant and equipment	(92,917)	(70,487)
Fund transfers from SHSC** (note 6(b))	-	47,902
Fund transfer from SHCF* (note 6(c))	836,909	-
	<u>(8,497,140)</u>	<u>(27,807,587)</u>
Decrease in cash and cash equivalents during the year	(2,622,225)	(12,675,431)
Cash and cash equivalents - Beginning of year	<u>16,154,611</u>	<u>28,830,042</u>
Cash and cash equivalents - End of year	<u>13,532,386</u>	<u>16,154,611</u>
Components of cash and cash equivalents		
Cash	1,503,311	5,344,968
Cash equivalents	12,029,075	10,809,643
	<u>13,532,386</u>	<u>16,154,611</u>

* Sunnybrook Hospital Crown Foundation

** Sunnybrook Health Sciences Centre

See accompanying notes to financial statements.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2009

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

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.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

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- 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 the Endowment Fund is transferred to the Restricted Operating Fund, where it remains until actual distribution is made.

Revenues and expenditures

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

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 relating 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 from future donations. The balance still to be recovered at March 31, 2008 of \$754,049 was fully recovered in 2009.

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 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 or the restricted operating fund as appropriate. Distribution income (loss) from pooled funds is recorded when received.

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 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:

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

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

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

The investment portfolio of the Foundation is also 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. Transaction costs related to financial assets, which are classified as held-for-trading, are expensed as incurred.

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

The Foundation has chosen to continue to apply The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, Financial Instruments - Disclosure and Presentation in place of Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation.

Contributed services

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

Pledges

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

Employee future benefits

On April 1, 2004, with respect to medical and dental benefits receivable by employees upon retirement, the Foundation adopted 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.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2009

3 New accounting pronouncements

Accounting pronouncements adopted in the current year

- Capital disclosures

Effective April 1, 2008, the Foundation adopted Section 1535, Capital Disclosures. This section 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. This standard impacts the Foundation's disclosures (note 12) but does not affect its financial position or results of operations.

Future accounting pronouncements issued and not yet adopted

- Accounting for not-for-profit organizations

The Accounting Standards Board (AcSB) has approved amendments to several of the standards dealing with not-for-profit organizations in the 4400 series of the Handbook sections. These amendments include:

- reporting certain revenues gross in the statement of operations and changes in fund balances;
- when a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from each of these functions to other functions will be required;
- the elimination of the requirement to treat funds invested in property, plant and equipment as a separate component of net assets; and
- the requirement to assess property, plant and equipment periodically for impairment.

The changes are effective for years beginning on or after January 1, 2009, with earlier adoption permitted. The changes are not expected to have a significant impact on the Foundation.

- Financial statement concepts

In February 2008, the AcSB amended Section 1000, Financial Statement Concepts, to clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized on the statement of financial position.

The amendments are effective for financial statements for fiscal years beginning on or after October 1, 2008. The Foundation is examining its current approach to recognizing costs as assets and will implement these standards effective April 1, 2009 retroactively with restatement of the prior year. The impact of implementing these amendments on the Foundation's financial statements is currently not known.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2009

4 Investments

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

	2009 \$	2008 \$
Cash and short-term deposits	1,727,983	2,915,697
Canadian equities	15,210,160	17,342,232
US equities	7,766,465	7,816,549
International equities	8,234,185	8,817,656
Fixed income	36,300,283	34,033,429
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Aggregate fair value	69,239,076	70,925,563

5 Property, plant and equipment

	2009		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and equipment	496,006	372,912	123,094
Computer hardware	277,418	228,851	48,567
Computer software	121,720	109,789	11,931
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	895,144	711,552	183,592

	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

6 Related party transactions

- a) The Hospital pays certain expenses of the Foundation and is subsequently reimbursed by the Foundation on a monthly basis. The amount reimbursed in the year was \$5,033,481 (2008 - \$3,609,625). Advances from the Hospital are non-interest bearing and due on demand. At March 31, 2009, the Foundation owed the Hospital \$437,696 (2008 - \$353,964).

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- b) 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 \$nil (2008 - \$47,902) was transferred from the Hospital to the Foundation in the current year.
- c) During the year, \$836,909 was transferred to the Foundation upon dissolution of SHCF.

7 Investment (loss) income

	2009 \$	2008 \$
Interest income	408,428	667,591
Distributions from pooled funds	2,351,133	11,309,105
Total realized investment income	2,759,561	11,976,696
Decrease in market value	(10,927,619)	(13,026,063)
Net investment loss	(8,168,058)	(1,049,367)

8 Restricted funds

	2009		
	Operating \$	Endowment \$	Total \$
Revenues			
Donations	30,350,046	4,959,118	35,309,164
Investment loss	(45,573)	(8,651,453)	(8,697,026)
	30,304,473	(3,692,335)	26,612,138
Distributions	(28,871,334)	-	(28,871,334)
	1,433,139	(3,692,335)	(2,259,196)
Fund balances - Beginning of year	34,079,392	49,927,372	84,006,764
Transfer of expendable portion of endowments	1,696,769	(1,696,769)	-
Interfund transfers (i)	(5,196,960)	2,244,075	(2,952,885)
Other transfers (ii)	754,047	-	754,047
Fund balances - End of year	32,766,387	46,782,343	79,548,730

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2009

	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

i) Interfund transfers comprise:

- \$2,848,676 (2008 - \$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; and
- \$104,209 (2008 - \$184,498) representing net funds transferred to allocate donations received from the Restricted Operating Fund and the Endowment Fund to the Unrestricted Fund.

ii) Other transfers comprise:

- \$nil (2008 - \$2,786,956) transferred to WCHF;
- \$nil (2008 - \$47,902) transferred to the Hospital; and
- \$836,909 (2008 - \$nil) transferred from SHCF.

9 Distributions

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

	2009	2008
	\$	\$
Capital projects	15,144,494	17,475,933
Research operating grants	13,577,040	7,686,940
Other projects	159,337	1,647,400
	28,880,871	26,810,273

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2009

10 Community and special events programs

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

	<u>2009</u>			<u>2008</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$
Revenues				
Individuals	7,395	2,382,635	2,390,030	2,458,598
Corporations	3,545	2,222,892	2,226,437	4,740,979
Foundations	-	194,626	194,626	245,874
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Direct expenditures	10,940	4,800,153	4,811,093	7,445,451
	17,375	1,994,196	2,011,571	4,642,969
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	(6,435)	2,805,957	2,799,522	2,802,482
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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, 2009, the Foundation contributed \$360,380 (2008 - \$245,645).

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, 2009, the Foundation's accrued benefit obligation with respect to these benefits is \$38,200 (2008 - \$36,000) of which \$20,500 (2008 - \$22,500), 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 \$2,500 (2008 - \$2,100) has been recognized in the financial statements.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

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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, 2008	22,500
Less: Amortization of transitional obligation	<u>(2,000)</u>
Transitional obligation as at March 31, 2009	<u>20,500</u>
Accrual for services in the year	5,400
Interest on accrued benefits	2,500
Actuarial gains/losses during the year	<u>(5,700)</u>
Total current year's cost	2,200
Amortization of transitional obligation	2,000
Adjustment for experience gains for the year	<u>5,100</u>
Total accrued benefit liability	9,300
Total accrued benefit as at March 31, 2008	<u>23,800</u>
Total accrued benefit as at March 31, 2009	33,100
Add: Transitional obligation as at March 31, 2009	20,500
Add: Experience gains	<u>(15,400)</u>
Accrued benefit obligation as at March 31, 2009	<u>38,200</u>

The total accrued benefit as at March 31, 2009 is included in accrued liabilities. The next actuarial valuation will be completed as at April 1, 2010.

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

Discount rate	7.50%
Dental benefit escalation	4.0%
Medical benefits cost escalation - extended health care	9.0% in 2009 decreasing by 0.5% per annum to an ultimate rate of 5.0% in 2017 and thereafter

12 Management of capital

In managing capital, the Foundation focuses on liquid resources available for operations. The Foundation's objective is to have sufficient liquid resources to continue operating despite adverse events with financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at March 31, 2009, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.