

**Sunnybrook Health Sciences
Centre Foundation**

Financial Statements
March 31, 2010

June 14, 2010

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, 2010 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, 2010 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

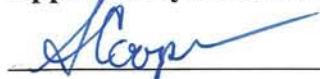
As at March 31, 2010

	2010			2009		
	Unrestricted \$	Restricted \$	Total \$	Unrestricted \$	Restricted \$	Total \$
Assets						
Current assets						
Cash and cash equivalents	5,575,755	14,067,782	19,643,537	4,297,931	9,234,455	13,532,386
Amounts receivable	61,053	2,393	63,446	62,637	118,415	181,052
Prepays and other assets	175,492	534,412	709,904	274,912	1,453,652	1,728,564
	5,812,300	14,604,587	20,416,887	4,635,480	10,806,522	15,442,002
Long-term investments (note 4)	16,861	91,517,034	91,533,895	12,192	69,226,884	69,239,076
Property, plant and equipment (note 5)	112,005	-	112,005	183,592	-	183,592
	5,941,166	106,121,621	112,062,787	4,831,264	80,033,406	84,864,670
Liabilities						
Current liabilities						
Amounts payable and accrued liabilities	765,883	13,031	778,914	497,840	84,715	582,555
Deferred revenue	-	270,418	270,418	-	399,961	399,961
Due to SHSC* (note 6)	453,619	-	453,619	437,696	-	437,696
	1,219,502	283,449	1,502,951	935,536	484,676	1,420,212
Fund Balances	4,721,664	105,838,172	110,559,836	3,895,728	79,548,730	83,444,458
	5,941,166	106,121,621	112,062,787	4,831,264	80,033,406	84,864,670


* 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, 2010

	2010			2009		
	Unrestricted \$	Restricted \$	Total \$	Unrestricted \$	Restricted \$	Total \$
Revenues						
Donations (note 9)						
Individuals	4,893,982	24,366,286	29,260,268	4,023,340	13,175,176	17,198,516
Corporations	260,653	12,351,675	12,612,328	334,915	16,827,025	17,161,940
Foundations	246,842	10,064,707	10,311,549	183,466	7,149,748	7,333,214
	5,401,477	46,782,668	52,184,145	4,541,721	37,151,949	41,693,670
Investment income (loss) (note 7)	2,394,940	10,963,830	13,358,770	528,968	(8,697,026)	(8,168,058)
	7,796,417	57,746,498	65,542,915	5,070,689	28,454,923	33,525,612
Expenditures						
Salaries and benefits	5,409,275	-	5,409,275	4,865,852	-	4,865,852
Fundraising	2,632,049	3,185,349	5,817,398	2,160,129	1,842,785	4,002,914
Administration	890,289	-	890,289	883,734	-	883,734
Amortization	91,509	-	91,509	91,693	-	91,693
	9,023,122	3,185,349	12,208,471	8,001,408	1,842,785	9,844,193
Excess (deficiency) of revenues over expenditures before distributions	(1,226,705)	54,561,149	53,334,444	(2,930,719)	26,612,138	23,681,419
Distributions	(118,846)	(26,107,239)	(26,226,085)	(9,537)	(28,871,334)	(28,880,871)
Excess (deficiency) of revenues over expenditures for the year	(1,345,551)	28,453,910	27,108,359	(2,940,256)	(2,259,196)	(5,199,452)
Fund balances - Beginning of year	3,895,728	79,548,730	83,444,458	3,800,237	84,006,764	87,807,001
Interfund transfers (note 8)	2,171,487	(2,171,487)	-	2,198,838	(2,198,838)	-
Fund transfers (note 8)	-	7,019	7,019	836,909	-	836,909
Fund balances - End of year	4,721,664	105,838,172	110,559,836	3,895,728	79,548,730	83,444,458

See accompanying notes to financial statements.

Sunnybrook Health Sciences Centre Foundation

Statement of Cash Flows

For the year ended March 31, 2010

	2010 \$	2009 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenditures for the year	27,108,359	(5,199,452)
Items not affecting cash		
Amortization	91,509	91,693
Unrealized gain (loss) on long-term investments (note 7)	(12,255,638)	10,927,619
Change in non-cash working capital items		
Amounts receivable	117,606	535,430
Prepays and other assets	1,018,660	(938,293)
Amounts payable and accrued liabilities	196,359	153,368
Deferred revenue	(129,543)	220,818
Due from SHSC*	15,923	83,732
	<u>16,163,235</u>	<u>5,874,915</u>
Investing activities		
Purchase of long-term investments	(10,039,181)	(9,241,132)
Purchase of property, plant and equipment	(19,922)	(92,917)
Fund transfers from SHSC*	7,019	-
Fund transfer from SHCF** (note 6)	-	836,909
	<u>(10,052,084)</u>	<u>(8,497,140)</u>
Increase (decrease) in cash and cash equivalents during the year	6,111,151	(2,622,225)
Cash and cash equivalents - Beginning of year	<u>13,532,386</u>	<u>16,154,611</u>
Cash and cash equivalents - End of year	<u>19,643,537</u>	<u>13,532,386</u>
Components of cash and cash equivalents		
Cash	3,040,986	1,503,311
Cash equivalents	<u>16,602,551</u>	<u>12,029,075</u>
	<u>19,643,537</u>	<u>13,532,386</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, 2010

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

- The Restricted Fund reflects those resources arising from fundraising, investing, granting and administrative activities, the purpose for which has been internally or externally restricted. The Restricted Fund has two primary components.
 - Restricted operating funds are externally restricted resources and include the undistributed balance of the expendable portion of Endowment Fund balances.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2010

- 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.

Community programs where the Foundation does not act as a principal in the transaction are recorded in the statement of operations and changes in fund balances on revenues net of expenditures basis. Gross revenues and expenditures are set out in note 9.

Investment income (loss) earned on Endowment Funds is allocated to the Endowment Fund. All other investment income (loss) is recognized as revenue in the Unrestricted Fund unless a donor has stipulated a restriction over the use of the investment income.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments that are readily convertible into known amounts of cash. Interest in respect of the cash equivalents is accrued as earned.

Other assets

Costs directly related to future fundraising events are presented as other assets when the Foundation can reliably demonstrate the event meets the criteria for recognition as an intangible asset. The related costs are expensed once the event has been held. Such costs are expensed immediately when there is insufficient evidence that the event does not meet the criteria for recognition as an intangible asset.

Investments

Investments are recorded at quoted fair values. The fair values of the units in pooled funds are based on the quoted fair values of the securities held by the pooled funds and are provided by the administrators of the pooled funds.

Property, plant and equipment

Property, plant and equipment are recorded at the lower of cost and the net recoverable amount. Amortization is calculated on a straight-line basis over their estimated useful lives as follows:

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

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2010

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 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 SHSC, are designated as loans and receivables or other liabilities and are thus measured at amortized cost, which approximates their fair 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, 2010

3 Changes in accounting policies and estimates

- Section 4400, Financial Statement Presentation By Not-for-Profit Organizations

Effective April 1, 2009, the Foundation adopted retrospectively the changes to the recommendations in CICA Handbook Section 4400, Financial Statement Presentation By Not-for-Profit Organizations, that include the option to eliminate the requirement to separately disclose the amount of net assets invested in property, plant and equipment, as well as the requirement to recognize and report revenues and expenses at their gross amounts when the Foundation is acting as a principal in the transactions. The Foundation has historically reported event revenues and expenditures at their net amount in the statement of operations and changes in fund balances.

The requirement to report these figures at their gross amount has resulted in the following adjustment to 2009 balances:

	As previously stated \$	Adjustment \$	Restated \$
Donations			
Individuals	16,297,398	901,118	17,198,516
Corporations	16,296,358	865,582	17,161,940
Foundations	7,257,129	76,085	7,333,214
	<u>39,850,885</u>	<u>1,842,785</u>	<u>41,693,670</u>
Expenditures			
Fundraising	<u>2,160,129</u>	<u>1,842,785</u>	<u>4,002,914</u>

- Section 1000, Financial Statement Concepts

Effective April 1, 2009, the Foundation adopted retrospectively, the changes to the recommendations in CICA Handbook Section 1000, Financial Statement Concepts. This standard clarifies that items that do not meet the definition of an asset or a liability are not to be recognized on the statement of financial position. The adoption of this requirement has not significantly affected the disclosure or reporting in the financial statements.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2010

4 Investments

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

	2010 \$	2009 \$
Cash and short-term deposits	2,277,956	1,727,983
Canadian equities	20,061,100	15,210,160
US equities	9,137,461	7,766,465
International equities	10,084,913	8,234,185
Fixed income	49,972,465	36,300,283
	<hr/>	<hr/>
Aggregate fair value	91,533,895	69,239,076

5 Property, plant and equipment

	2010		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and equipment	499,134	427,853	71,281
Computer hardware	294,212	258,870	35,342
Computer software	121,720	116,338	5,382
	<hr/>	<hr/>	<hr/>
	915,066	803,061	112,005
	<hr/>		
	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

6 Related party transactions

The Hospital pays certain expenses of the Foundation and is subsequently reimbursed by the Foundation on a monthly basis. The amount reimbursed in the year was \$5,190,863 (2009 - \$5,033,481). Advances from the Hospital are non-interest bearing and due on demand. At March 31, 2010, the Foundation owed the Hospital \$453,619 (2009 - \$437,696).

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2010

Last year, \$836,909 was transferred to the Foundation upon dissolution of SHCF.

7 Investment income (loss)

	2010 \$	2009 \$
Interest income	22,952	408,428
Distributions from pooled funds	1,080,180	2,351,133
Total realized investment income	1,103,132	2,759,561
Increase (decrease) in fair value	12,255,638	(10,927,619)
Net investment gain (loss)	13,358,770	(8,168,058)

8 Restricted funds

	2010		
	Operating \$	Endowment \$	Total \$
Revenues			
Donations	37,166,792	9,615,876	46,782,668
Investment gain (loss)	(24,169)	10,987,999	10,963,830
	37,142,623	20,603,875	57,746,498
Expenditures	(3,185,349)	-	(3,185,349)
Distributions	(26,107,239)	-	(26,107,239)
	7,850,035	20,603,875	28,453,910
Fund balances - Beginning of year	32,766,387	46,782,343	79,548,730
Transfer of expendable portion of endowments	2,356,066	(2,356,066)	-
Fund transfer from Hospital	7,019	-	7,019
	42,979,507	65,030,152	108,009,659
Requirement for costs (note 2)	(3,294,808)	(10,620)	(3,305,428)
Interfund transfer from Endowment Fund to Restricted Operating Fund	141,832	(141,832)	-
Transfer to Restricted Operating Fund from Unrestricted Fund	1,051,496	-	1,051,496
Transfer from Endowment Fund to Unrestricted Fund	-	(3,130)	(3,130)
Transfer from Unrestricted Fund to Endowed Memorial Fund	-	85,575	85,575
	(2,101,480)	(70,007)	(2,171,487)
Fund balances - End of year	40,878,027	64,960,145	105,838,172

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2010

	2009		
	Operating \$	Endowment \$	Total \$
Revenues			
Donations	32,192,831	4,959,118	37,151,949
Investment loss	(45,573)	(8,651,453)	(8,697,026)
	32,147,258	(3,692,335)	28,454,923
Expenditures	(1,842,785)	-	(1,842,785)
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)	-
	37,209,300	44,538,268	81,747,568
Requirement for costs	(2,834,333)	(14,343)	(2,848,676)
Transfer from Unrestricted Fund to Endowed Memorial Fund	-	76,450	76,450
Transfer from Restricted Operating Fund to Unrestricted Fund	(180,659)	-	(180,659)
Transfers from Restricted Operating Fund to Endowment Fund	(2,181,968)	2,181,968	-
Transfer to Restricted Operating Fund from Unrestricted Fund	754,047	-	754,047
	(4,442,913)	2,244,075	(2,198,838)
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, 2010

9 Community events

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

			2010	2009
	Unrestricted	Restricted	Total	Total
	\$	\$	\$	\$
Revenues				
Individuals	20,218	1,660,220	1,680,438	844,589
Corporations	9,155	741,707	750,862	1,193,708
Foundations	-	58,797	58,797	81,831
	29,373	2,460,724	2,490,097	2,120,128
Direct expenditures	349	401,593	401,942	168,786
	29,024	2,059,131	2,088,155	1,951,342

10 Employee benefits

Employees of the Foundation participate in the Healthcare of Ontario Pension Plan (HOOPP), a multi-employer, defined benefit contributory pension plan. Contributions to HOOPP are expensed as incurred. For the year ended March 31, 2010, the Foundation contributed \$392,645 (2009 - \$360,380).

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, 2010, the Foundation's accrued benefit obligation with respect to these benefits is \$55,000 (2009 - \$38,200) of which \$18,500 (2009 - \$20,500), 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 \$3,200 (2009 - \$2,500) 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, 2009	20,500
Less: Amortization of transitional obligation	(2,000)
Transitional obligation as at March 31, 2010	18,500

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2010

	\$
Accrual for services in the year	4,600
Interest on accrued benefits	3,200
Actuarial gains/losses during the year	<u>9,000</u>
Total current year's cost	16,800
Amortization of transitional obligation	2,000
Adjustment for experience gains for the year	<u>(10,000)</u>
Total accrued benefit liability	8,800
Total accrued benefit as at March 31, 2009	<u>33,100</u>
Total accrued benefit as at March 31, 2010	41,900
Add: Transitional obligation as at March 31, 2010	18,500
Add: Experience gains	<u>(5,400)</u>
Accrued benefit obligation as at March 31, 2010	<u>55,000</u>

The total accrued benefit as at March 31, 2010 is included in accrued liabilities. The next actuarial valuation will be completed as at April 1, 2011.

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

Discount rate	5.50%
Dental benefit escalation	4.00%
Medical benefits cost escalation - extended health care	9.00% in 2010 decreasing by 0.50% per annum to an ultimate rate of 5.00% in 2017 and thereafter

11 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, 2010, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

12 Comparative figures

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

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2010

13 Subsequent event

On May 1, 2010, the Foundation entered into a ten-year sublease agreement for the Hospital parking facilities. The monthly lease payments will be based on the adjusted net revenue from parking operations for the month. For the term of the lease, the Foundation will be responsible for the management and direction of the parking operations, which, it is anticipated, will facilitate future opportunities for the Foundation to further its charitable purpose. The Hospital and the Foundation have also entered into a service agreement for parking operations whereby the Hospital will provide certain services as governed and directed by the Foundation. The fee for such services will be an amount equivalent to the direct costs associated with parking operations plus a percentage of parking revenues.