

**Sunnybrook Health Sciences
Centre Foundation**

Financial Statements
March 31, 2011

June 27, 2011

Independent Auditor's Report

To the Board of Directors of Sunnybrook Health Sciences Centre Foundation

We have audited the accompanying financial statements of Sunnybrook Health Sciences Centre Foundation, which comprise the statement of financial position as at March 31, 2011 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sunnybrook Health Sciences Centre Foundation as at March 31, 2011 and the results of its operations 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, 2011

	2011			2010		
	Unrestricted \$	Restricted \$	Total \$	Unrestricted \$	Restricted \$	Total \$
Assets						
Current assets						
Cash and cash equivalents	6,334,306	4,663,122	10,997,428	5,575,755	14,067,782	19,643,537
Amounts receivable	359,862	19,040	378,902	61,053	2,393	63,446
Prepaid expenses and other assets	124,421	16,200	140,621	175,492	534,412	709,904
	6,818,589	4,698,362	11,516,951	5,812,300	14,604,587	20,416,887
Long-term investments (note 3)	17,458	98,088,708	98,106,166	16,861	91,517,034	91,533,895
Other receivable	740,050	-	740,050	-	-	-
Property, plant and equipment (note 4)	72,179	-	72,179	112,005	-	112,005
	7,648,276	102,787,070	110,435,346	5,941,166	106,121,621	112,062,787
Liabilities						
Current liabilities						
Amounts payable and accrued liabilities	601,736	38,862	640,598	765,883	13,031	778,914
Deferred revenue	50,265	236,032	286,297	-	270,418	270,418
Due to Sunnybrook Health Sciences Centre (note 5)	1,804,004	-	1,804,004	453,619	-	453,619
	2,456,005	274,894	2,730,899	1,219,502	283,449	1,502,951
Fund Balances	5,192,271	102,512,176	107,704,447	4,721,664	105,838,172	110,559,836
	7,648,276	102,787,070	110,435,346	5,941,166	106,121,621	112,062,787

Approved by the Board of Directors

Director



Director

See accompanying notes to financial statements.

Sunnybrook Health Sciences Centre Foundation
Statement of Operations and Changes in Fund Balances
For the year ended March 31, 2011

	2011			2010		
	Unrestricted \$	Restricted \$	Total \$	Unrestricted \$	Restricted \$	Total \$
Fundraising revenues (note 9)						
Individuals	4,465,591	13,353,896	17,819,487	4,893,982	24,366,286	29,260,268
Corporations	1,045,221	9,797,339	10,842,560	260,653	12,351,675	12,612,328
Foundations	245,874	7,111,020	7,356,894	246,842	10,064,707	10,311,549
	<u>5,756,686</u>	<u>30,262,255</u>	<u>36,018,941</u>	<u>5,401,477</u>	<u>46,782,668</u>	<u>52,184,145</u>
Expenditures						
Salaries and benefits	5,076,025	-	5,076,025	5,409,275	-	5,409,275
Fundraising	2,750,933	294,135	3,045,068	2,632,049	3,185,349	5,817,398
Administration	834,348	-	834,348	890,289	-	890,289
Amortization	64,570	-	64,570	91,509	-	91,509
	<u>8,725,876</u>	<u>294,135</u>	<u>9,020,011</u>	<u>9,023,122</u>	<u>3,185,349</u>	<u>12,208,471</u>
Income (loss) before the undernoted	<u>(2,969,190)</u>	<u>29,968,120</u>	<u>26,998,930</u>	<u>(3,621,645)</u>	<u>43,597,319</u>	<u>39,975,674</u>
Parking operations (note 6)						
Revenue	13,270,308	-	13,270,308	-	-	-
Expenditures	11,861,031	-	11,861,031	-	-	-
	<u>1,409,277</u>	<u>-</u>	<u>1,409,277</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment income (note 7)	<u>1,811,723</u>	<u>5,499,465</u>	<u>7,311,188</u>	<u>2,394,940</u>	<u>10,963,830</u>	<u>13,358,770</u>
Excess (deficiency) of revenues over expenditures before distributions	<u>251,810</u>	<u>35,467,585</u>	<u>35,719,395</u>	<u>(1,226,705)</u>	<u>54,561,149</u>	<u>53,334,444</u>
Distributions	<u>(2,249,598)</u>	<u>(36,325,186)</u>	<u>(38,574,784)</u>	<u>(118,846)</u>	<u>(26,107,239)</u>	<u>(26,226,085)</u>
Excess (deficiency) of revenues over expenditures for the year	<u>(1,997,788)</u>	<u>(857,601)</u>	<u>(2,855,389)</u>	<u>(1,345,551)</u>	<u>28,453,910</u>	<u>27,108,359</u>
Interfund transfers (note 8)	<u>2,468,395</u>	<u>(2,468,395)</u>	<u>-</u>	<u>2,171,487</u>	<u>(2,171,487)</u>	<u>-</u>
Fund transfers (note 8)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,019</u>	<u>7,019</u>
Fund balances - Beginning of year	<u>4,721,664</u>	<u>105,838,172</u>	<u>110,559,836</u>	<u>3,895,728</u>	<u>79,548,730</u>	<u>83,444,458</u>
Fund balances - End of year	<u>5,192,271</u>	<u>102,512,176</u>	<u>107,704,447</u>	<u>4,721,664</u>	<u>105,838,172</u>	<u>110,559,836</u>

See accompanying notes to financial statements.

Sunnybrook Health Sciences Centre Foundation

Statement of Cash Flows

For the year ended March 31, 2011

	2011 \$	2010 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenditures for the year	(2,855,389)	27,108,359
Items not affecting cash		
Amortization	64,570	91,509
Unrealized gain on long-term investments (note 7)	(4,556,824)	(12,255,638)
Other receivable	(740,050)	-
Change in non-cash working capital items		
Amounts receivable	(315,456)	117,606
Prepaid expenses and other assets	569,283	1,018,660
Amounts payable and accrued liabilities	(138,316)	196,359
Deferred revenue	15,879	(129,543)
Due to SHSC*	1,350,385	15,923
	<u>(6,605,918)</u>	<u>16,163,235</u>
Investing activities		
Purchase of long-term investments	(2,015,447)	(10,039,181)
Purchase of property, plant and equipment	(24,744)	(19,922)
Fund transfers from SHSC*	-	7,019
	<u>(2,040,191)</u>	<u>(10,052,084)</u>
Increase (decrease) in cash and cash equivalents during the year	(8,646,109)	6,111,151
Cash and cash equivalents - Beginning of year	<u>19,643,537</u>	<u>13,532,386</u>
Cash and cash equivalents - End of year	<u>10,997,428</u>	<u>19,643,537</u>
Components of cash and cash equivalents		
Cash	2,389,226	3,040,986
Cash equivalents	<u>8,608,202</u>	<u>16,602,551</u>
	<u>10,997,428</u>	<u>19,643,537</u>

*Sunnybrook Health Sciences Centre

See accompanying notes to financial statements.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2011

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 require 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 the results of parking operations, for which the Foundation entered into a ten-year sublease with the Hospital on May 1, 2010, plus 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 the Foundation Board's 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

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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.

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 a 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 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.

Other receivable

The other receivable relates to an interest in an irrevocable charitable trust, from which the Foundation will receive income in future periods. The value of the income receivable has been recorded at the net present value of the expected future revenue streams.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

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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

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 and changes in fund balances. 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.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

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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 held in pooled funds and comprise the following:

	2011 \$	2010 \$
Cash and short-term deposits	2,820,246	2,277,956
Canadian equities	22,743,854	20,061,100
US equities	9,943,179	9,137,461
International equities	11,572,179	10,084,913
Fixed income	51,026,708	49,972,465
	<u>98,106,166</u>	<u>91,533,895</u>
Aggregate fair value		

4 Property, plant and equipment

	2011		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and equipment	393,593	356,365	37,228
Computer hardware	217,762	183,865	33,897
Computer software	90,711	89,657	1,054
	<u>702,066</u>	<u>629,887</u>	<u>72,179</u>
	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
	<u>915,066</u>	<u>803,061</u>	<u>112,005</u>

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2011

5 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 \$5,149,946 (2010 - \$5,190,863). Advances from the Hospital are non-interest bearing and due on demand. At March 31, 2011, the Foundation owed the Hospital \$1,804,004 (2010 - \$453,619), which included an amount of \$923,504 (2010 - \$nil) relating to parking services.

6 Parking operations

On May 1, 2010, the Foundation entered into a ten-year sublease agreement for the Hospital parking facilities. The monthly lease payments are based on the adjusted net revenue from parking operations for the month. For the term of the lease, the Foundation is responsible for the management and direction of the parking operations, which facilitates 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 is providing certain services as governed and directed by the Foundation. The fee for such services is an amount equivalent to the direct costs associated with parking operations plus a percentage of parking revenues.

7 Investment income

	2011 \$	2010 \$
Interest income	37,916	22,952
Distributions from pooled funds	2,716,448	1,080,180
Total realized investment income	2,754,364	1,103,132
Increase in fair value	4,556,824	12,255,638
Net investment gain	7,311,188	13,358,770

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2011

8 Restricted funds

	2011		
	Operating	Endowment	Total
	\$	\$	\$
Revenues			
Donations	27,321,374	2,940,881	30,262,255
Expenditures	(294,135)	-	(294,135)
Net fundraising income before the undernoted	27,027,239	2,940,881	29,968,120
Investment gain	27,036	5,472,429	5,499,465
Excess of revenues over expenditures before			
distributions	27,054,275	8,413,310	35,467,585
Distributions	(36,325,186)	-	(36,325,186)
Excess (deficiency) of revenues over expenditures			
for the year	(9,270,911)	8,413,310	(857,601)
Transfer of expendable portion of endowments	2,113,237	(2,113,237)	-
	(7,157,674)	6,300,073	(857,601)
Requirement for costs (note 2)	(2,648,005)	-	(2,648,005)
Interfund transfer from Endowment Fund to			
Restricted Operating Fund	12,997,762	(12,997,762)	-
Transfer to Restricted Operating Fund from			
Unrestricted Fund	177,110	-	177,110
Transfer from Unrestricted Fund to Endowed			
Memorial Fund	-	2,500	2,500
	10,526,867	(12,995,262)	(2,468,395)
Change in fund balances	3,369,193	(6,695,189)	(3,325,996)
Fund balances - Beginning of year	40,878,027	64,960,145	105,838,172
Fund balances - End of year	44,247,220	58,264,956	102,512,176

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

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	2010		
	Operating \$	Endowment \$	Total \$
Revenues			
Donations	37,166,792	9,615,876	46,782,668
Expenditures	(3,185,349)	-	(3,185,349)
Net fundraising income before the undernoted Investment gain (loss)	33,981,443 (24,169)	9,615,876 10,987,999	43,597,319 10,963,830
Excess of revenues over expenditures before distributions	33,957,274	20,603,875	54,561,149
Distributions	(26,107,239)	-	(26,107,239)
Excess of revenues over expenditures for the year	7,850,035	20,603,875	28,453,910
Transfer of expendable portion of endowments	2,356,066	(2,356,066)	-
Transfer from Hospital	7,019	-	7,019
	10,213,120	18,247,809	28,460,929
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 Restricted 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)
Change in fund balances	8,111,640	18,177,802	26,289,442
Fund balances - Beginning of year	32,766,387	46,782,343	79,548,730
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, 2011

9 Community events

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

	<u>2011</u>			<u>2010</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$
Revenues				
Individuals	7,119	1,561,850	1,568,969	1,680,438
Corporations	450	668,607	669,057	750,862
Foundations	-	72,765	72,765	58,797
	<u>7,569</u>	<u>2,303,222</u>	<u>2,310,791</u>	<u>2,490,097</u>
Direct expenditures	-	359,458	359,458	401,942
	<u>7,569</u>	<u>1,943,764</u>	<u>1,951,333</u>	<u>2,088,155</u>

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, 2011, the Foundation contributed \$387,094 (2010 - \$392,645).

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, 2011, the Foundation's accrued benefit obligation with respect to these benefits is \$34,300 (2010 - \$55,000) of which \$16,500 (2010 - \$18,500), 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 \$3,400 (2010 - \$3,200) 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, 2010	18,500
Less: Amortization of transitional obligation	<u>(2,000)</u>
Transitional obligation as at March 31, 2011	<u>16,500</u>

Sunnybrook Health Sciences Centre Foundation

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	\$
Accrual for services in the year	6,500
Interest on accrued benefits	3,400
Actuarial gains/losses during the year	<u>(30,600)</u>
Total current year's cost	(20,700)
Amortization of transitional obligation	2,000
Adjustment for experience gains for the year	<u>30,300</u>
Total accrued benefit liability	11,600
Total accrued benefit as at March 31, 2010	<u>41,900</u>
Total accrued benefit as at March 31, 2011	53,500
Add: Transitional obligation as at March 31, 2011	16,500
Add: Experience gains	<u>(35,700)</u>
Accrued benefit obligation as at March 31, 2011	<u><u>34,300</u></u>

The total accrued benefit as at March 31, 2011 is included in accrued liabilities. The next actuarial valuation will be completed as at April 1, 2012.

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

Discount rate	5.25%
Dental benefit escalation	4.00%
Medical benefits cost escalation - extended health care	8.50% in 2011 decreasing by 0.50% per annum to an ultimate rate of 5.00% in 2018 and thereafter

11 Comparative figures

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