

Sunnybrook Health Sciences Centre Foundation

Financial Statements
March 31, 2018



June 26, 2018

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, 2018 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 risks 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.

*PricewaterhouseCoopers LLP
400 Bradwick Drive, Suite 100, Concord, Ontario, Canada L4K 5V9
T: +1 905 326 6800, F: +1 905 326 5339*



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, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

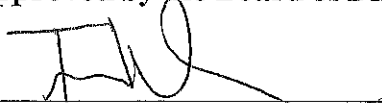
Sunnybrook Health Sciences Centre Foundation

Statement of Financial Position

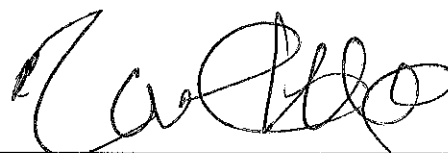
As at March 31, 2018

	2018			2017		
	Unrestricted \$	Restricted \$	Total \$	Unrestricted \$	Restricted \$	Total \$
Assets						
Current assets						
Cash and cash equivalents	10,920,727	10,693,355	21,614,082	12,557,550	1,155,566	13,713,116
Amounts receivable	127,253	4,465	131,718	89,841	18,644	108,485
Prepaid expenses and other assets	294,813	2,500	297,313	116,935	10,000	126,935
	11,342,793	10,700,320	22,043,113	12,764,326	1,184,210	13,948,536
Long-term investments (note 3)	34,682	220,903,555	220,938,237	36,576	214,594,007	214,630,583
Property, plant and equipment (note 4)	2,872,884	-	2,872,884	3,090,613	-	3,090,613
	14,250,359	231,603,875	245,854,234	15,891,515	215,778,217	231,669,732
Liabilities						
Current liabilities						
Amounts payable and accrued liabilities	1,793,710	24,322	1,818,032	1,749,825	188,726	1,938,551
Deferred revenue	257,424	371,501	628,925	180,389	82,875	263,264
Due to Sunnybrook Health Sciences Centre (note 5)	3,268,005	-	3,268,005	1,624,654	-	1,624,654
	5,319,139	395,823	5,714,962	3,554,868	271,601	3,826,469
Fund Balances	8,931,220	231,208,052	240,139,272	12,336,647	215,506,616	227,843,263
	14,250,359	231,603,875	245,854,234	15,891,515	215,778,217	231,669,732

Approved by the Board of Directors



Director



Director

The accompanying notes are an integral part of these financial statements.

Sunnybrook Health Sciences Centre Foundation

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2018

	2018			2017		
	Unrestricted \$	Restricted \$	Total \$	Unrestricted \$	Restricted \$	Total \$
Revenues						
Individuals	6,961,881	15,494,883	22,456,764	8,261,451	17,409,169	25,670,620
Corporations	342,872	15,217,260	15,560,132	147,067	8,668,651	8,815,718
Foundations	330,528	10,775,555	11,106,083	137,148	11,704,104	11,841,252
	7,635,281	41,487,698	49,122,979	8,545,666	37,781,924	46,327,590
Investment income (note 6)	1,971,676	4,097,867	6,069,543	5,646,232	10,147,144	15,793,376
	9,606,957	45,585,565	55,192,522	14,191,898	47,929,068	62,120,966
Expenditures						
Salaries and benefits	7,499,963	-	7,499,963	6,969,957	-	6,969,957
Fundraising	5,036,254	906,711	5,942,965	4,360,013	895,237	5,255,250
Administration	861,049	-	861,049	708,270	-	708,270
Amortization	389,151	-	389,151	379,901	-	379,901
	13,786,417	906,711	14,693,128	12,418,141	895,237	13,313,378
Surplus (deficit) before the undernoted items	(4,179,460)	44,678,854	40,499,394	1,773,757	47,033,831	48,807,588
Parking operations (note 7)						
Revenue	19,070,107	-	19,070,107	19,152,000	-	19,152,000
Expenditures	(15,954,824)	-	(15,954,824)	(15,857,902)	-	(15,857,902)
	3,115,283	-	3,115,283	3,294,098	-	3,294,098
Distributions	(2,964,073)	(28,354,595)	(31,318,668)	(3,140,077)	(34,273,168)	(37,413,245)
Contribution income	-	-	-	1,049,187	3,731,709	4,780,896
	(2,964,073)	(28,354,595)	(31,318,668)	(2,090,890)	(30,541,459)	(32,632,349)
Surplus (deficit) for the year	(4,028,250)	16,324,259	12,296,009	2,976,965	16,492,372	19,469,337
Interfund transfers (note 8)	622,823	(622,823)	-	1,707,366	(1,707,366)	-
Fund balances - Beginning of year	12,336,647	215,506,616	227,843,263	7,652,316	200,721,610	208,373,926
Fund balances - End of year	8,931,220	231,208,052	240,139,272	12,336,647	215,506,616	227,843,263

The accompanying notes are an integral part of these financial statements.

Sunnybrook Health Sciences Centre Foundation

Statement of Cash Flows

For the year ended March 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Surplus for the year	12,296,009	19,469,337
Items not affecting cash		
Amortization	389,151	379,901
Change in fair value of long-term investments (note 6)	(242,092)	(4,930,696)
Contribution income	-	(4,780,896)
Change in non-cash working capital items		
Amounts receivable	(23,233)	(51,842)
Prepaid expenses and other assets	(170,378)	(60,855)
Amounts payable and accrued liabilities	(120,519)	373,952
Deferred revenue	365,661	69,052
Due to Sunnybrook Health Sciences Centre	1,643,351	(1,931,574)
	<u>14,137,950</u>	<u>8,536,379</u>
Investing activities		
Cash received as a result of amalgamation of St. John's Rehab Foundation	-	230,847
Purchase of long-term investments	(6,065,562)	(4,454,909)
Purchase of property, plant and equipment	(171,422)	(221,370)
	<u>(6,236,984)</u>	<u>(4,445,432)</u>
Increase in cash and cash equivalents during the year	7,900,966	4,090,947
Cash and cash equivalents - Beginning of year	13,713,116	9,622,169
Cash and cash equivalents - End of year	<u>21,614,082</u>	<u>13,713,116</u>

The accompanying notes are an integral part of these financial statements.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2018

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 (Canada) and is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) 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 in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), 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 prescribed rates of the Foundation's Board of Directors' policy. 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 the Foundation's 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 Restricted Endowment Fund balances.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2018

- 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 Restricted Endowment Fund once all future obligations associated with such donations are reasonably determined. Once determined, the annual distribution from the Restricted 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 an 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.

Parking revenue is recorded as the service is rendered.

Investment income earned on Restricted Endowment Funds is allocated to the Restricted Endowment Fund. All other investment income is recognized as revenue in the Unrestricted Fund.

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 prepaid expenses 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 meets 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 the assets' estimated useful lives as follows:

Computer hardware	3 years
Leasehold improvements	10 years

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2018

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 recorded at fair value.

The investment portfolio of the Foundation 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 are expensed as incurred.

Amounts receivable, amounts payable and accrued liabilities and due to SHSC are measured at amortized cost, which approximates fair value due to the short-term maturity of the instruments.

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 revenue when payment is received.

Employee future benefits

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. The Foundation applies the actuarial valuation for accounting purposes to determine the defined benefit obligation.

3 Investments

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

	2018 \$	2017 \$
Cash and short-term deposits	6,290,167	6,058,485
Canadian equities	32,047,682	30,841,290
Foreign equities	62,689,238	62,573,975
Fixed income	119,911,150	115,156,833
Aggregate fair value	<u>220,938,237</u>	<u>214,630,583</u>

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2018

4 Property, plant and equipment

	2018		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Digital Donor Wall (i)	90,948	-	90,948
Computer hardware	414,795	379,693	35,102
Leasehold improvements	3,603,759	856,925	2,746,834
	<u>4,109,502</u>	<u>1,236,618</u>	<u>2,872,884</u>
			2017
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Computer hardware	395,786	348,216	47,570
Leasehold improvements	3,542,293	499,250	3,043,043
	<u>3,938,079</u>	<u>847,466</u>	<u>3,090,613</u>

- (i) During the year, the Foundation incurred costs for the construction of a Digital Donor Wall located at the main hospital. The donor wall is expected to be completed in June 2018, with a total projected cost of approximately \$700,000.

5 Related party transactions and balances

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 \$7,296,683 (2017 - \$6,841,419). Advances from the Hospital are non-interest bearing, unsecured and due on demand. All expenditures for parking operations are paid to the Hospital.

During the year, the Foundation distributed \$15,709,369 (2017 - \$17,705,909) to the Hospital and \$12,910,245 (2017 - \$16,397,561) to Sunnybrook Research Institute (SRI), an entity controlled by the Hospital. The Hospital is the sole voting member of SRI. As at March 31, 2018, the Foundation owes \$3,268,005 (2017 - \$1,624,654) to the Hospital.

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2018

6 Investment income

	2018 \$	2017 \$
Interest, dividends and realized gains	5,827,451	10,862,680
Change in fair value of long-term investments	242,092	4,930,696
	<hr/>	<hr/>
Net investment income	<u>6,069,543</u>	<u>15,793,376</u>

7 Parking operations

On May 1, 2010, the Foundation entered into a ten-year sublease agreement for the Hospital's 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.

8 Restricted funds

	2018		
	Operating \$	Endowment \$	Total \$
Revenues	40,552,620	935,078	41,487,698
Investment (loss) gain	(34,713)	4,132,580	4,097,867
Expenditures	(906,711)	-	(906,711)
Distributions	(28,285,885)	(68,710)	(28,354,595)
	<hr/>	<hr/>	<hr/>
Surplus for the year	11,325,311	4,998,948	16,324,259
Requirement for cost (note 2)	(3,181,879)	(76,061)	(3,257,940)
Annual distribution from the Restricted Endowment Fund	2,984,712	(2,984,712)	-
Interfund transfers per request by donors	4,148,820	(1,513,703)	2,635,117
	<hr/>	<hr/>	<hr/>
	3,951,653	(4,574,476)	(622,823)
Change in fund balances	15,276,964	424,472	15,701,436
Fund balances - Beginning of year	116,701,042	98,805,574	215,506,616
	<hr/>	<hr/>	<hr/>
Fund balances - End of year	<u>131,978,006</u>	<u>99,230,046</u>	<u>231,208,052</u>

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2018

	2017		
	Operating \$	Endowment \$	Total \$
Revenues	37,196,180	585,744	37,781,924
Investment loss	4,923	10,142,221	10,147,144
Expenditures	(895,237)	-	(895,237)
Distributions	(34,136,638)	(136,530)	(34,273,168)
Contribution income - St. John's Rehab Foundation	705,831	3,025,878	3,731,709
Surplus for the year	2,875,059	13,617,313	16,492,372
Requirement for cost (note 2)	(2,803,735)	(13,448)	(2,817,183)
Annual distribution from the Restricted Endowment Fund	1,839,012	(1,839,012)	-
Interfund transfers per request by donors	456,689	653,128	1,109,817
	(508,034)	(1,199,332)	(1,707,366)
Change in fund balances	2,367,025	12,417,981	14,785,006
Fund balances - Beginning of year	114,334,017	86,387,593	200,721,610
Fund balances - End of year	116,701,042	98,805,574	215,506,616

9 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, 2018, the Foundation contributed \$566,722 (2017 - \$520,965).

Employees of the Foundation are also entitled to certain medical and dental benefits on early 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, 2018, the Foundation's accrued benefit obligation with respect to these benefits is \$270,300 (2017 - \$228,300). The current year's benefit cost of \$42,000 (2017 recovery - \$31,700) has been recognized in the financial statements.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2018

The following disclosure has been made in accordance with the requirements of ASNPO:

	2018	2017
	\$	\$
Accrual for services in the year	29,300	59,600
Interest on accrued benefits	9,500	12,000
Actuarial losses (gains) during the year	3,200	(103,300)
	<hr/>	<hr/>
Total current year's cost (recovery)	42,000	(31,700)
	<hr/>	<hr/>
Accrued benefit obligation - Beginning of year	228,300	260,100
Expense (recovery) for the year	42,000	(31,700)
Funding contributions	-	(100)
	<hr/>	<hr/>
Accrued benefit obligation - End of year	270,300	228,300

The total accrued benefit obligation as at March 31, 2018 is included in accrued liabilities. The next actuarial valuation will be completed as at March 31, 2019.

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

	2018	2017
Discount rate for net benefit cost	3.70%	3.75%
Dental benefit escalation	2.75%	2.75%
Medical benefits cost escalation - extended health care	6.00% in 2019 decreasing by 0.25% per annum to an ultimate rate of 4.50%	8.75% in 2016 decreasing by 0.25% per annum to an ultimate rate of 5.0%

10 Government remittances

Government remittances consist of amounts (such as sales taxes and payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$224,379 (2017 - \$211,662) is included in accounts payable and accrued liabilities.