

Sunnybrook Health Sciences Centre Foundation

Financial Statements
March 31, 2020



Independent auditor's report

To the Board of Directors of Sunnybrook Health Sciences Centre Foundation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sunnybrook Health Sciences Centre Foundation (the Foundation) as at March 31, 2020 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.

What we have audited

The Foundation's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Ontario
June 22, 2020

Sunnybrook Health Sciences Centre Foundation

Statement of Financial Position

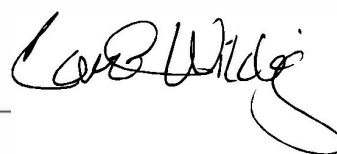
As at March 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash and cash equivalents	27,305,532	15,383,628
Amounts receivable	95,980	127,364
Prepaid expenses and other assets	247,898	402,013
	<u>27,649,410</u>	<u>15,913,005</u>
Investments (note 4)	229,656,354	235,339,387
Property, plant and equipment (note 5)	3,061,955	3,585,388
	<u>260,367,719</u>	<u>254,837,780</u>
Liabilities		
Current liabilities		
Amounts payable and accrued liabilities (notes 12 and 13)	2,045,811	2,118,763
Deferred revenue	459,137	507,314
Due to Sunnybrook Health Sciences Centre (note 8)	1,550,791	2,075,552
	<u>4,055,739</u>	<u>4,701,629</u>
Fund Balances		
Unrestricted	8,728,066	8,100,051
Restricted (note 6)	153,254,672	135,995,983
Endowed	94,329,242	106,040,117
	<u>256,311,980</u>	<u>250,136,151</u>
	<u>260,367,719</u>	<u>254,837,780</u>

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, 2020

				2020	2019
	Unrestricted \$	Restricted \$	Endowed \$	Total \$	Total \$
Revenues					
Donations	6,250,396	51,443,887	608,129	58,302,412	50,303,458
Bequests	6,929,641	3,804,540	-	10,734,181	3,811,645
Investment income (note 9)	(1,151,992)	(350,934)	(7,640,086)	(9,143,012)	8,394,637
	<u>12,028,045</u>	<u>54,897,493</u>	<u>(7,031,957)</u>	<u>59,893,581</u>	<u>62,509,740</u>
Expenditures (note 10)					
Fundraising	10,778,130	1,531,206	-	12,309,336	11,779,243
Administration	4,238,964	-	-	4,238,964	3,727,418
	<u>15,017,094</u>	<u>1,531,206</u>	<u>-</u>	<u>16,548,300</u>	<u>15,506,661</u>
Parking operations (note 11)					
Revenue	18,658,702	-	-	18,658,702	19,102,073
Expenditures	(16,245,210)	-	-	(16,245,210)	(16,409,663)
	<u>2,413,492</u>	<u>-</u>	<u>-</u>	<u>2,413,492</u>	<u>2,692,410</u>
Surplus (deficit) of revenue over expenses before grants	(575,557)	53,366,287	(7,031,957)	45,758,773	49,695,489
Grants	(2,205,648)	(37,377,296)	-	(39,582,944)	(39,698,610)
Surplus (deficit) for the year	(2,781,205)	15,988,991	(7,031,957)	6,175,829	9,996,879
Fund balances – Beginning of year	8,100,051	135,995,983	106,040,117	250,136,151	240,139,272
Interfund transfers (note 7)	3,409,220	1,269,698	(4,678,918)	-	-
Fund balances – End of year	<u>8,728,066</u>	<u>153,254,672</u>	<u>94,329,242</u>	<u>256,311,980</u>	<u>250,136,151</u>

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, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Surplus for the year	6,175,829	9,996,879
Items not affecting cash		
Amortization	607,023	431,583
Change in fair value of investments (note 9)	15,755,346	4,186,772
Reinvested investment income (note 9)	(6,339,523)	(12,323,501)
Change in non-cash working capital items		
Amounts receivable	31,384	4,354
Prepaid expenses and other assets	154,115	(104,700)
Amounts payable and accrued liabilities	(72,952)	300,731
Deferred revenue	(48,177)	(121,611)
Due to Sunnybrook Health Sciences Centre	(524,761)	(1,192,453)
	<u>15,738,284</u>	<u>1,178,054</u>
Investing activities		
Purchase of investments	(8,552,600)	(46,364,973)
Proceeds from sale of investments	4,819,810	40,100,552
Purchase of property, plant and equipment	(83,590)	(1,144,087)
	<u>(3,816,380)</u>	<u>(7,408,508)</u>
Change in cash and cash equivalents during the year	11,921,904	(6,230,454)
Cash and cash equivalents – Beginning of year	<u>15,383,628</u>	<u>21,614,082</u>
Cash and cash equivalents – End of year	<u>27,305,532</u>	<u>15,383,628</u>

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

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2020

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 grant 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 grants 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 Funds are externally restricted resources and include the ungranted balance of the expendable portion of Endowment Fund balances. The board of directors may also internally restrict funds, a restriction that may be reversed by the board of directors.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2020

The Endowment Fund reflects internally and externally restricted resources that may include an internal or external requirement that the principal be maintained. Endowment donations are recognized in the Endowment Fund. Once determined, the expendable portion of the Endowment Fund is transferred to the Restricted Fund, where it remains until an actual grant 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 (loss) consists of income from mutual and pooled funds and fair value changes in investments. Investment income earned on the Endowed Fund or Restricted Fund resources that must be spent on donor restricted activities are recognized as revenue of the Restricted Fund. Investment income subject to donor restrictions stipulating that it be added to the endowment is recognized as revenue of the Endowed Fund. All other investment income is recognized as revenue in the Unrestricted Fund. Investment losses are allocated in a manner consistent with 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 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.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2020

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 and intranet	3 years
Leasehold improvements, Digital Donor Wall and signage	10 years
Furniture and equipment	5 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 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.

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2020

Allocation of expenses

The Foundation engages in fundraising initiatives to support capital expenditures, education and research and other special projects for the Hospital. The cost of each fundraising initiative includes the cost of personnel, services and other expenses that are directly related to undertaking the fundraising initiative. The Foundation also incurs a number of personnel related costs common to the administration of each of its ongoing fundraising initiatives. The Foundation allocates these personnel costs based on the function carried out by each staff member. The allocation is reviewed by management and is applied consistently on an annual basis.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management estimates and assumptions that affect revenues and expenditures during the reporting period, in addition to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

3 COVID-19

In March 2020, the outbreak of the novel coronavirus (COVID-19) was declared as a pandemic by World Health Organization and has resulted in governments worldwide enacting emergency measures to combat the spread of the virus.

As a result of these measures, material disruption was caused to businesses globally, resulting in an economic slowdown and volatility in the financial markets. The changes impacted the fair value of the Foundation's investments and net assets as at March 31, 2020. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Foundation in future periods.

4 Investments

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

	2020	2019
	\$	\$
Cash and short-term deposits	5,961,002	5,700,548
Canadian equities	24,589,323	32,897,477
Foreign equities	65,683,892	66,498,573
Fixed income	133,422,137	130,242,789
Aggregate fair value	<u>229,656,354</u>	<u>235,339,387</u>

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2020

5 Property, plant and equipment

	2020		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Furniture and equipment	3,534	1,119	2,415
Leasehold improvements and Digital Donor Wall	4,417,478	1,702,185	2,715,293
Computer hardware and intranet	916,167	571,920	344,247
	<u>5,337,179</u>	<u>2,275,224</u>	<u>3,061,955</u>
			2019
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Furniture and equipment	3,534	412	3,122
Leasehold improvements and Digital Donor Wall	4,402,406	1,260,815	3,141,591
Computer hardware and intranet	847,649	406,974	440,675
	<u>5,253,589</u>	<u>1,668,201</u>	<u>3,585,388</u>

6 Restricted Fund

The major categories of the Restricted Fund balance, identifying the purpose for which they will be used, are as follows:

	2020	2019
	\$	\$
Externally restricted		
Operational	107,388,267	95,758,013
Capital	45,866,405	40,237,970
	<u>153,254,672</u>	<u>135,995,983</u>

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2020

7 Interfund transfers

Transfers between funds consist of the following:

	Unrestricted Fund		Restricted Fund		Endowed Fund	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Board and donor approved refund restrictions	(447,998)	(57,364)	2,259,094	194,864	(1,811,096)	(137,500)
Reinvestment in Foundation support in accordance with board policy (note 2)	3,857,218	3,301,069	(3,841,974)	(3,277,496)	(15,244)	(23,573)
Allocation of investment income in accordance with board policy	-	-	2,852,578	3,002,934	(2,852,578)	(3,002,934)
	<u>3,409,220</u>	<u>3,243,705</u>	<u>1,269,698</u>	<u>(79,698)</u>	<u>(4,678,918)</u>	<u>(3,164,007)</u>

8 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 \$8,055,515 (2019 – \$7,502,504). 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 granted \$14,510,959 (2019 – \$18,483,975) to the Hospital and \$22,769,543 (2019 – \$18,674,029) to Sunnybrook Research Institute (SRI), an entity controlled by the Hospital. The Hospital is the sole voting member of SRI. As at March 31, 2020, the Foundation owes \$1,550,791 (2019 – \$2,075,552) 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.

9 Investment income

	2020 \$	2019 \$
Interest	272,811	257,908
Dividends and realized gains	6,339,523	12,323,501
Change in fair value of long-term investments	(15,755,346)	(4,186,772)
Net investment income	<u>(9,143,012)</u>	<u>8,394,637</u>

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2020

10 Expense allocation

Fundraising and administrative expenses include employee personnel costs. The personnel costs are categorized as either fundraising or administrative based on the duties of the Foundation personnel. As such, management has allocated personnel costs of \$8,312,748 (2019 – \$7,684,323) as follows: \$5,922,411 (2019 – \$5,354,728) to fundraising expenses; and \$2,390,337 (2019 – \$2,329,595) to administrative expenses.

11 Parking operations

On May 1, 2010, the Foundation entered into a ten-year sublease agreement for the Hospital's parking facilities. On December 2, 2019 the term of this agreement was extended until September 30, 2029. 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.

12 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, 2020, the Foundation contributed \$617,420 (2019 – \$567,070).

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, 2020, the Foundation's accrued benefit obligation with respect to these benefits is \$346,300 (2019 – \$322,900). The current year's benefit cost of \$23,400 (2019 \$52,600) has been recognized in the financial statements.

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

	2020 \$	2019 \$
Accrual for services in the year	33,300	30,800
Interest on accrued benefits	11,800	10,800
Actuarial losses during the year	(21,700)	11,000
Total current year's cost	<u>23,400</u>	<u>52,600</u>
Accrued benefit obligation – Beginning of year	322,900	270,300
Expense for the year	23,400	52,600
Funding contributions	-	-
Accrued benefit obligation – End of year	<u>346,300</u>	<u>322,900</u>

Sunnybrook Health Sciences Centre Foundation

Notes to Financial Statements

March 31, 2020

The total accrued benefit obligation as at March 31, 2020 is included in accrued liabilities. The actuarial valuation was completed as at March 31, 2020.

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

	2020	2019
Discount rate for net benefit cost	3.30%	3.60%
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 4.5%	6.00% in 2019 decreasing by 0.25% per annum to an ultimate rate of 4.50%

13 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, \$236,495 (2019 – \$226,891) is included in accounts payable and accrued liabilities.